

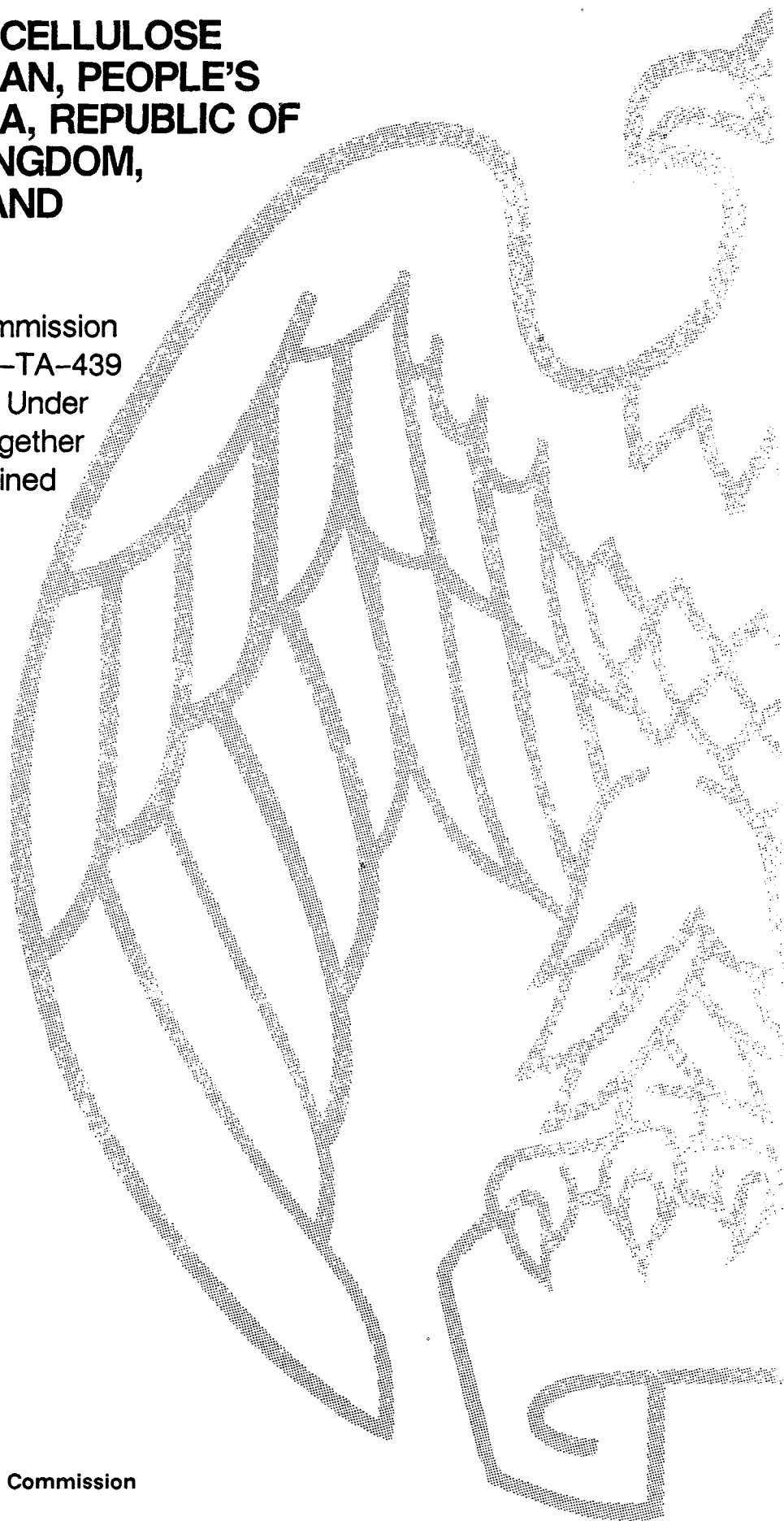
# **INDUSTRIAL NITROCELLULOSE FROM BRAZIL, JAPAN, PEOPLE'S REPUBLIC OF CHINA, REPUBLIC OF KOREA, UNITED KINGDOM, WEST GERMANY, AND YUGOSLAVIA**

Determinations of the Commission  
in Investigations Nos. 731-TA-439  
through 445 (Preliminary) Under  
the Tariff Act of 1930, Together  
With the Information Obtained  
in the Investigations

USITC PUBLICATION 2231

NOVEMBER 1989

United States International Trade Commission  
Washington, DC 20436



**UNITED STATES INTERNATIONAL TRADE COMMISSION**

**COMMISSIONERS**

**Anne E. Brunsdale, Chairman**  
**Ronald A. Cass, Vice Chairman**  
**Alfred E. Eckes**  
**Seeley G. Lodwick**  
**David B. Rohr**  
**Don E. Newquist**

*Staff assigned:*

**Tedford Briggs, Investigator**  
**Edward Taylor, Commodity-Industry Analyst**  
**Howard Gooley, Economist**  
**Chand Mehta, Accountant**  
**Abigail Shaine, Attorney**

**Robert Eninger, Supervisory Investigator**

**Address all communications to**  
**Kenneth R. Mason, Secretary to the Commission**  
**United States International Trade Commission**  
**Washington, DC 20436**

# C O N T E N T S

	<u>Page</u>
Determinations.....	1
Views of the Commission.....	3
Additional views of Vice Chairman Ronald A. Cass.....	21
Information obtained in the investigations:	
Introduction.....	a-1
Previous Commission investigations concerning nitrocellulose.....	a-1
The product:	
Product description.....	a-2
Manufacturing processes.....	a-3
Uses.....	a-3
U.S. tariff treatment.....	a-5
The nature and extent of alleged sales at LTFV.....	a-5
The domestic market and channels of distribution.....	a-6
U.S. consumption.....	a-7
U.S. producer.....	a-9
U.S. importers.....	a-9
Consideration of alleged material injury.....	a-10
U.S. capacity, production, and capacity utilization.....	a-10
U.S. producer's shipments.....	a-12
U.S. producer's inventories.....	a-14
Employment and wages.....	a-16
Financial experience of Hercules Incorporated.....	a-18
Industrial nitrocellulose.....	a-18
Explosive nitrocellulose.....	a-21
Overall establishment operations.....	a-21
Investment in productive facilities.....	a-21
Capital expenditures.....	a-25
Research and development expenses.....	a-25
Capital and investment.....	a-26
Consideration of the question of threat of material injury.....	a-26
U.S. importers' inventories.....	a-28
Capacity of foreign producers to increase exports.....	a-29
Brazil.....	a-29
Japan.....	a-29
People's Republic of China.....	a-29
Republic of Korea.....	a-29
United Kingdom.....	a-32
West Germany.....	a-32
Yugoslavia.....	a-34
Consideration of the causal relationship between imports of the subject merchandise and the alleged material injury:	
U.S. imports.....	a-35
Market penetration of imports.....	a-41
Prices.....	a-45
Price trends.....	a-45
Domestic nitrocellulose prices.....	a-45
Prices of imported nitrocellulose:	
Brazil.....	a-48
PRC.....	a-48
Japan.....	a-49
Korea.....	a-50
United Kingdom.....	a-50
West Germany.....	a-50
Yugoslavia.....	a-51

## CONTENTS

## Information obtained in the investigations--Continued

Consideration of the causal relationship between imports of the  
subject merchandise and the alleged material injury--Continued

## Prices--Continued

Price comparisons and margins of underselling/overselling.....	a-52
Brazil.....	a-52
PRC.....	a-52
Japan.....	a-52
Korea.....	a-52
United Kingdom.....	a-53
West Germany.....	a-53
Yugoslavia.....	a-53
Lost revenue.....	a-53
Lost sales.....	a-56
Exchange rates.....	a-59

Appendix A. <u>Federal Register</u> notices.....	A-1
Appendix B. List of witnesses appearing at the Commission conference.....	B-1
Appendix C. Impact of imports on the U.S. producer's growth, investment, ability to raise capital, and existing development and production efforts.....	C-1
Appendix D. Hercules sales of Z-grade industrial nitrocellulose.....	D-1

## Figures

1. Schematic of Hercules' nitrocellulose production.....	a-4
2. Industrial nitrocellulose, apparent U.S. consumption by source.....	a-41

## Tables

1. Industrial nitrocellulose: U.S. producer's shipments, U.S. imports, U.S. exports, and apparent U.S. consumption, 1986-88, January-June 1988, and January-June 1989.....	a-8
2. Nitrocellulose: Practical capacity, U.S. production, and capacity utilization, by types, 1986-88, January-June 1988, and January-June 1989.....	a-11
3. Industrial nitrocellulose: Shipments of U.S. producer, by types, 1986-88, January-June 1988, and January-June 1989.....	a-13
4. Explosive nitrocellulose: Shipments of U.S. producer, 1986-88, January-June 1988, and January-June 1989.....	a-15
5. Nitrocellulose: U.S. producer's inventories, by types, December 31, 1985-88, June 30, 1988, and June 30, 1989.....	a-16
6. Average number of employees in U.S. nitrocellulose plant; total and production and related workers producing all products, those producing industrial nitrocellulose, and those producing explosive nitrocellulose; hours worked by and wages, total compensation, and average hourly wages paid to such workers, 1986-88, January-June 1988, and January-June 1989.....	a-17
7. Income-and-loss experience of Hercules, Inc., on its industrial nitrocellulose operations, 1986-88, January-June 1988, and January-June 1989.....	a-19
8. Income-and-loss experience of Hercules, Inc., on its industrial nitrocellulose operations during the first and the second quarters of 1988-89.....	a-20

## CONTENTS

## Tables--Continued

	<u>Page</u>
9. Income-and-loss experience of Hercules, Inc., on its explosive nitrocellulose operations, 1986-88, January-June 1988, and January-June 1989.....	a-22
10. Income-and-loss experience of Hercules, Inc., on the overall operations of its establishment within which nitrocellulose is produced, 1986-88, January-June 1988, and January-June 1989.....	a-23
11. Nitrocellulose: Value of property, plant, and equipment of Hercules, Inc., 1986-88, January-June 1988, and January-June 1989.....	a-24
12. Nitrocellulose: Capital expenditures by Hercules, Inc., 1986-88, January-June 1988, and January-June 1989.....	a-25
13. Industrial nitrocellulose: U.S. importers' end-of-period inventories, by principal countries, Dec. 31, 1986-88, June 30, 1988, and June 30, 1989.....	a-28
14. Industrial nitrocellulose: Companhia Nitro Quimica Brasileira's capacity, production by type, capacity utilization, shipments, and inventories.....	a-30
15. Industrial nitrocellulose: Asahi Chemical Company Ltd.'s capacity, production by type, capacity utilization, shipments, and inventories.....	a-30
16. Industrial nitrocellulose: Diacel Chemical Industries Ltd.'s capacity, production by type, capacity utilization, shipments, and inventories.....	a-31
17. Industrial nitrocellulose: People's Republic of China capacity, production, capacity utilization, and shipments.....	a-31
18. Industrial nitrocellulose: Miwon Commercial Co. Ltd.'s capacity, production, capacity utilization, shipments, and inventories.....	a-32
19. Industrial nitrocellulose: Imperial Chemical Industries PLC's capacity, production, capacity utilization, shipments, and inventories.....	a-33
20. Industrial nitrocellulose: Wolff Walsrode AG's capacity, production by type, capacity utilization, shipments, and inventories.....	a-33
21. Industrial nitrocellulose: Milan Blagojevic's production and shipments.....	a-34
22. Nitrocellulose: U.S. imports for consumption, by principal countries, 1986-88, January-June 1988, and January-June 1989.....	a-36
23. Nitrocellulose: U.S. imports for consumption, by types and by countries subject to these investigations, 1986-88, January-June 1988, and January-June 1989.....	a-37
24. Industrial nitrocellulose: U.S. imports for consumption, by principal countries, 1986-88, January-June 1988, and January-June 1989.....	a-42
25. Industrial nitrocellulose: Apparent U.S. consumption, U.S. imports, and ratios of imports to consumption, 1986-88, January-June 1988, and January-June 1989.....	a-43
26. Industrial nitrocellulose: Weighted-average prices and margins of under/(over) selling for product 1 sold to end users and imported by end users for their own use, as reported by U.S. producers and importers, by quarters, January 1986-June 1989.....	a-46

## CONTENTS

## Tables--Continued

	<u>Page</u>
27. Industrial nitrocellulose: Weighted-average prices and margins of under/(over) selling for product 2 sold to end users and imported by end users for their own use, as reported by U.S. producers and importers, by quarters, January 1986-June 1989.....	a-47
28. Industrial nitrocellulose: Weighted-average prices and margins of under/(over) selling for product 3 sold to end users and imported by end users for their own use, as reported by U.S. producers and importers, by quarters, January 1986-June 1989.....	a-47
29. Industrial nitrocellulose: Weighted-average prices and margins of under/(over) selling for product 4 sold to end users and imported by end users for their own use, as reported by U.S. producers and importers, by quarters, January 1986-June 1989.....	a-47
30. Exchange rates: Indexes of the nominal and real exchange rates between the U.S. dollar and currencies of six specified countries, and indexes of producer prices in the foreign countries and the United States, by quarters, January 1986-June 1989.....	a-60
D-1 Industrial nitrocellulose: Total sales volume and unit prices of regular RS-grade and Z-grade product 1 sold to end users, as reported by the U.S. producer, and the share of Z-grade sales, by quarters, January 1986-June 1989.....	D-2
D-2 Industrial nitrocellulose: Total sales volume and unit prices of regular RS-grade and Z-grade product 2 sold to end users, as reported by the U.S. producer, and the share of Z-grade sales, by quarters, January 1986-June 1989.....	D-3
D-3 Industrial nitrocellulose: Total sales volume and unit prices of regular RS-grade and Z-grade product 3 sold to end users, as reported by the U.S. producer, and the share of Z-grade sales, by quarters, January 1986-June 1989.....	D-4
D-4 Industrial nitrocellulose: Total sales volume and unit prices of regular RS-grade and Z-grade product 4 sold to end users, as reported by the U.S. producer, and the share of Z-grade sales, by quarters, January 1986-June 1989.....	D-5

---

Note.--Information that would reveal the business proprietary operations of individual concerns may not be published and, therefore, has been deleted from this report. Such deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigations Nos. 731-TA-439 through 445 (Preliminary)

INDUSTRIAL NITROCELLULOSE FROM BRAZIL, JAPAN, PEOPLE'S REPUBLIC OF CHINA,  
REPUBLIC OF KOREA, UNITED KINGDOM, WEST GERMANY, AND YUGOSLAVIA

Determinations

On the basis of the record <sup>1</sup> developed in the subject investigations, the Commission unanimously determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from Brazil, Japan, the People's Republic of China, the Republic of Korea, the United Kingdom, West Germany, and Yugoslavia of industrial nitrocellulose,<sup>2</sup> provided for in subheading 3912.20.00 of the Harmonized Tariff Schedule of the United States (previously under item 445.25 of the former Tariff Schedules of the United States), that are alleged to be sold in the United States at less than fair value (LTFV).

Background

On September 19, 1989, a petition was filed with the Commission and the Department of Commerce by Hercules Incorporated, Wilmington, Delaware, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV imports of industrial

---

<sup>1</sup> The record is defined in sec. 207.2(h) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(h)).

<sup>2</sup> Industrial nitrocellulose is a dry, white, amorphous synthetic chemical with a nitrogen content between 10.8 and 12.2 percent, which is produced from the reaction of cellulose with nitric acid. Industrial nitrocellulose is used as a film-former in coatings, lacquers, furniture finishes, and printing inks. The scope of these investigations does not include explosive grade nitrocellulose, which has a nitrogen content of greater than 12.2 percent.

nitrocellulose from Brazil, Japan, the People's Republic of China, the Republic of Korea, the United Kingdom, West Germany, and Yugoslavia. Accordingly, effective September 19, 1989, the Commission instituted preliminary antidumping investigations Nos. 731-TA-439 (Preliminary)(Brazil), 731-TA-440 (Preliminary)(Japan), 731-TA-441 (Preliminary)(People's Republic of China), 731-TA-442 (Preliminary)(Republic of Korea), 731-TA-443 (Preliminary)(United Kingdom), 731-TA-444 (Preliminary)(West Germany), and 731-TA-445 (Preliminary)(Yugoslavia).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of September 22, 1989 (54 F.R. 39055). The conference was held in Washington, DC, on October 11, 1989, and all persons who requested the opportunity were permitted to appear in person or by counsel.



## VIEWS OF THE COMMISSION

On the basis of the information obtained in these preliminary investigations, we unanimously determine that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of industrial nitrocellulose from Brazil, People's Republic of China, Federal Republic of Germany, Japan, Republic of Korea, United Kingdom and Yugoslavia, that allegedly are sold at less than fair value (LTFV).

I. Like Product and Domestic Industry

To determine whether a "reasonable indication of material injury" exists, the Commission must first make factual determinations with respect to the "like product" and the "domestic industry." The term "industry" is defined as "the domestic producers as a whole of a like product, or those producers whose collective output of the like product constitutes a major proportion of the total domestic production of that product..." 1/ In turn, section 771(10) of the Tariff Act of 1930 defines the "like product" as "[a] product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation..." 2/ The Commerce Department has determined that all industrial nitrocellulose is included in the scope of this investigation. 3/

---

1/ 19 U.S.C. § 1677(4)(a).

2/ 19 U.S.C. § 1677(10).

3/ The Department of Commerce has defined the imported product subject to this investigation as:

[i]ndustrial nitrocellulose...a dry, white amorphous synthetic chemical with a nitrogen content between 10.8 and 12.2 percent which is produced from the reaction of cellulose with nitric acid. Industrial nitrocellulose is used as a film-former in coatings, lacquers, furniture

(continued...)

The Commission's decision regarding like product is essentially a factual determination made on a case-by-case basis. 4/ In analyzing like product issues, we generally examine such factors as: (1) physical characteristics and uses, (2) interchangeability, (3) channels of distribution, (4) common manufacturing facilities and production employees, (5) customer or producer perceptions, and (6) price. 5/ No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a given investigation.

As noted by Congress, the like product requirement is not to be "interpreted in such a narrow fashion as to permit minor differences in physical characteristics and uses to lead to the conclusion that the products are not like each other." 6/ Accordingly, we have found minor product variations to be an insufficient basis for a separate like product analysis, and instead, have looked for clear dividing lines among products. 7/

---

3/(...continued)

finishes, and printing inks. Industrial nitrocellulose is currently provided for under HTS subheading 3912.20.00. Prior to January 1, 1989, industrial nitrocellulose was classifiable under item 445.25 of the Tariff Schedules of the United States Annotated (TSUSA). The scope of this investigation does not include explosive grade nitrocellulose, which has a nitrogen content of greater than 12.2 percent.

54 Fed Reg.42533-41 (October 17, 1989).

4/ ASCOFLORES, 693 F. Supp. 1165, 1169 (Ct Int'l Trade 1988) (like product issue essentially one to be based on the unique facts of each case).

5/ See, e.g., Certain All-Terrain Vehicles from Japan, Inv. No 731-TA-388 (Preliminary), USITC Pub. 2071 (March 1988) at 6; ASCOFLORES, 693 F. Supp. at 1170 n.8.

6/ S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

7/ See, e.g., Certain Small Business Telephone Systems and Subassemblies, supra, at 4; Operators for Jalousie and Awning Windows from El Salvador, Invs. Nos. 701-TA-272 and 731-TA-319 (Final), USITC Pub. 1934 (January (continued...))

In these preliminary investigations, we considered three questions relating to the definition of like product: 1) whether all grades of industrial nitrocellulose and suspensions in all wetting agents should be included in the like product definition; (2) whether explosive grade nitrocellulose is part of the same like product as industrial nitrocellulose; and (3) whether plasticized industrial nitrocellulose should be "excluded" from the like product definition.

Petitioner argues that like product should be defined to encompass all industrial nitrocellulose irrespective of the grade or medium. 8/ Respondent Asahi contends that separate like products should be established for each grade and for each wetting agent, on the basis that the distinct characteristics of these items may lead to different uses. 9/ Producers of industrial nitrocellulose from both Germany and the United Kingdom argue that plasticized industrial nitrocellulose should be excluded from the like product definition.

A. The grades and wetting agents of industrial nitrocellulose.

Industrial nitrocellulose comes in at least four grades, and can be suspended in several different wetting agents. 10/ In an earlier investigation in Industrial Nitrocellulose from France 11/, the Commission defined the like product to include all soluble industrial nitrocellulose.

7/(...continued)

1987) at 4, n.4; Sony Corporation of America v. United States, 712 F. Supp. 978 (Ct. Int'l Trade, April 26, 1989) at 6.

8/ Petitioner's Post-Hearing Brief at 3.

9/ Post-Conference Brief of Asahi Chemical Corp. at 4-7.

10/ Report at a-2-3.

11/ Inv. Nos. 701-TA-190 USITC Pub. 1390 (Final) (June 1983) and 731-TA-96 USITC Pub. 1409 (Final) (July 1983).

We see no basis to define the like product any differently in these preliminary investigations.

While the different grades of industrial nitrocellulose, RS-type, AS-type, SS-type and "Z" grade, have varying physical properties with respect to their nitration levels, viscosity and solubility, they share the same chemical formula, generally share the same end uses and are produced with the same manufacturing process. 12/ 13/ All grades of nitrocellulose are mixed either with a plasticizer or with a wetting agent for safety reasons. The most common wetting agents are isopropyl alcohol or ethanol. Although there is evidence that certain customers who use isopropyl-wet nitrocellulose can not use ethanol-wet nitrocellulose, 14/ in other instances either wetting agent may be acceptable. 15/

With respect to channels of distribution, Hercules sells its industrial nitrocellulose, including Hercules' "Z" grade, directly to unrelated end-users, while industrial nitrocellulose imported into the United States is sold both directly to end-users and to chemical distributors. 16/

To the extent that the various grades are not completely interchangeable, we should note that, in the past, the Commission has not required complete interchangeability to include products in one like product. 17/ Similarly, for these preliminary investigations, the absence

---

12/ "Z" grade, which is a mixture of RS, AS and SS types, is recovered from recycled water stream and reportedly is not produced intentionally.

Report at a-2-3.

13/ Petitioner's Post-Hearing Brief at 4.

14/ Tr. at 102.

15/ Report at a-53; a-55.

16/ Report at a-6.

17/ See, e.g. Dry Aluminum Sulfate from Sweden, Inv. No. 731-TA-430

(Preliminary) (requirements dictating a choice between the various •

(continued...)

of complete substitutability does not alter the Commission's conclusion that there is one like product: all industrial nitrocellulose, including all grades and suspensions in all wetting agents.

#### B. Industrial vs. Explosive Grade Nitrocellulose

Although no party has made the argument that explosive grade nitrocellulose (also called "smokeless nitrocellulose") 18/ should be included in the like product definition, the Commission has considered whether this grade should be treated as one like product with industrial nitrocellulose. 19/ Industrial and explosive grade nitrocellulose are

---

17/(...continued)

grades of aluminum sulfate did not warrant establishing a separate like product); Certain Forged Steel Crankshafts from the Federal Republic of Germany and the United Kingdom, Inv. Nos. 731-TA-351 and 353 (Final), USITC Pub. 2014 (September 1987) (strength requirements dictating a choice between forged and cast crankshafts did not warrant establishing a separate like product); Tapered Rolling Bearings & Parts Thereof & Certain Housings Incorporating Tapered Rollers from Italy and Yugoslavia, Inv. Nos. 731-TA-342 and 346 (Final), USITC Pub. 1999 (August 1987) (specific weight or size specification of the finished product necessary for different end-users, but the function of the product was the same); Color Picture Tubes from Canada, Japan, the Republic of Korea, and Singapore, Inv. Nos. 731-TA-367- 370 (Final), USITC Pub. 2046 (December 1987) (color picture tubes of different sizes are a single like product despite a lack of interchangeability). See also, ASCOFLORES, 693 F. Supp at 1168.

18/ Explosive grade nitrocellulose is used in explosives and is generally more viscous and higher in nitrogen content (12.6 to 13.4 percent compared with 10.8 to 12.2 percent) than is industrial nitrocellulose. Industrial and explosive nitrocellulose are both produced on similar equipment through the nitration step. Beyond nitration, however, the facilities for manufacturing industrial and explosive nitrocellulose are distinct. The methods of distribution and the end uses are also completely distinct. Report at a-2, a-3.

19/ Based on the record in the investigation of Nitrocellulose From France, the Commission previously defined the like product to include only all soluble industrial nitrocellulose; explosive grade nitrocellulose was not included in the domestic like product. Invs. Nos. 731-TA-96 and 701-TA-190. This definition is not binding on the Commission in the

(continued...)

produced on the same equipment through the nitration process. Beyond nitration, however, the manufacturing facilities are completely distinct. Further, the methods of distribution and the end uses are completely distinct. The Commission has concluded that the like product definition should not include explosive grade nitrocellulose.

C. "Exclusion" of Plasticized Industrial Nitrocellulose. 20/

Respondents from Germany and from the United Kingdom have proffered arguments that plasticized industrial nitrocellulose should be "excluded" from the like product definition because plasticized industrial nitrocellulose, which is not produced in the United States, is used for purposes for which alcohol-wet nitrocellulose is incompatible, although it is also suitable for use in some products which use alcohol-wet nitrocellulose. 21/

Respondents' arguments ignore the fact that imports are not included or excluded in the like product, which defines the U.S.-made products that are like or most similar to the imports subject to investigation. This

---

19/(...continued)

instant investigation, as the Commission must make a determination based on the record in these investigations, including any new arguments or facts. *Citrosuco Paulista v. United States*, 704 F. Supp. 1075, 1088 (Ct. Int'l Trade 1988).

20/ Chairman Brunsdale does not join in this section of the opinion.

Based on the reasoning set forth in *Digital Readout Systems and Subassemblies Thereof from Japan*, Inv. No. 731-TA-390 (Final), USITC Pub. 2150 (January 1989) at 26-28 (Views of Acting Chairman Anne E. Brunsdale), she may deem it appropriate in any final investigations to consider separately the impact of imported plasticized and alcohol-wet nitrocellulose on the domestic industry.

21/ The Japanese respondent has supported this position, despite the fact that it has not claimed that it manufactures this product. Post Conference Brief of Asahi at 9.

argument is tantamount to urging the Commission to "exclude" a portion of the imports under investigation from its determination because these imports are somehow unique. Recently, both the U.S. Court of International Trade and the Commission majority have rejected arguments that some of the imports under investigation could be "excluded" from a determination. The Commission majority stated that such arguments are more appropriately addressed to the Department of Commerce, which has jurisdiction over determinations as to the scope of the antidumping and countervailing duty orders. In particular, in Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof from the Federal Republic of Germany, France, Italy, Japan, Romania, Singapore, Sweden, Thailand, and the United Kingdom, 22/ All-Terrain Vehicles from Japan, 23/ and Certain Brass Sheet and Strip from Japan and the Netherlands, 24/ the Commission specifically stated that it has no statutory authority to exclude certain imports from the scope of the investigation, as defined by Commerce. In Bearings, the Commission explained its position pointing out that:

We do not believe that parties to the Commission investigation should be allowed to effectively seek Commission review of Commerce Department determinations regarding the scope of the investigation through "exclusion" arguments. Review of Commerce determinations is more appropriately within the jurisdiction of the Court of International Trade. The Commission's role in the statutory scheme is to define the relevant domestic industries and evaluate the impact of imports on them. 25/

---

22/ Inv. Nos. 303-TA-19 and 20 and 731-TA-391-399 (Final), USITC Pub. 2185 (May 1989).

23/ Inv. No. 731-TA-388 (Preliminary) USITC Pub. 2071 (March 1989).

24/ Inv. Nos. 731-TA-379 and 380 (Final), USITC Pub 2099 (July 1988).

25/ Antifriction Bearings from the Federal Republic of Germany, France, Italy, Japan, Romania, Singapore, Sweden, Thailand, and the United Kingdom, Inv. No. 303-TA-19 and 20 and 731-TA-391-399 at 39. see also (continued...)

The Court of International Trade recently confirmed the absence of the Commission's statutory authority to exclude certain imports from the scope of an investigation in Sandvik AB, et al v. United States, holding that the Commission does not have the authority to exclude merchandise from the like product definition and that the International Trade Administration of the Department of Commerce controls the scope of the investigation. 26/ Similarly, in Sony Corp. of America v. United States, an appeal from the Color Picture Tubes investigation 27/ in which the Commission declined to exclude the "Trinitron" picture tube, which allegedly occupied a "discrete and insular market segment," from the affirmative determination, the CIT held that, absent separate like product determinations, there is no statutory basis for exclusion. 28/

Accordingly, we find that the Commission has no statutory basis for excluding plasticized industrial nitrocellulose from these preliminary investigations. We thus find that there is only one like product: all industrial nitrocellulose. Further, we define the domestic industry to be U.S. producers of all industrial nitrocellulose which in these investigations consists of one producer, the petitioner. 29/

---

25/(...continued)

Certain All-Terrain Vehicles from Japan, Inv. No. 731-TA-388 (Preliminary), USITC Pub. 2071 at 9 n.30 (March 1988); Certain Brass Sheet and Strip from Japan and the Netherlands, Inv. Nos. 731-TA-379 and 380 (Final), USITC Pub. 2099 at 6 n.9 (July 1988).

26/ Slip Op. 89-131 at 24 (Ct. Int'l Trade Sept. 14, 1989).

27/ Inv. Nos. 731-TA-367-370 (Final) USITC Pub. 2046 (December 1987).

28/ 712 F. Supp. 978 (Ct. Int'l Trade 1989).

29/ The domestic industry is defined in section 771(4)(A) of the Tariff Act of 1930 as:

...the domestic producers as a whole of a like product,  
or those producers whose collective output of the like  
product constitutes a major proportion of the total

(continued...)



## II. Condition of the Industry

In assessing the condition of the domestic industry, we consider, among other factors, U.S. consumption, production, shipments, capacity utilization, inventories, employment, wages, financial performance, capital investment, and research and development expenditures. 30/ No single factor is dispositive, and in each investigation we consider the particular nature of the industry involved and the relevant economic factors which have a bearing on the state of the industry. 31/ Before describing the condition of the industry, we note that much of the information on which we base our decision is business proprietary, as there is only one domestic producer, and our discussion of the condition of the industry must necessarily be general in nature. 32/

United States apparent consumption of industrial nitrocellulose increased slightly from 1986 to 1987, decreased slightly from 1987 to 1988, and also decreased from the interim period of 1988 (January-June) to the same period in 1989. 33/

United States production of industrial nitrocellulose increased from

---

29/(...continued)

domestic production of that product.

19 U.S.C. § 1677(4)(a).

30/ See 19 U.S.C. § 1677(7)(C)(iii).

31/ See 19 U.S.C. § 1677(7)(C)(iii), which require us to consider the condition of the industry in the context of the business cycle and conditions of competition that are distinctive to the domestic industry. See also H.R. Rep. 317, 96th Cong., 1st Sess. at 46; S. Rep. 249, 96th Cong., 1st Sess. at 88.

32/ As was stated at the October 30, 1989 briefing and vote in these investigations Petitioner has given a waiver to permit the Commission to discuss trends in general terms. Letter of November 1, 1989 from Counsel for Petitioner.

33/ Report at table 1, a-8.

1986 to 1987, but then dropped substantially from 1987 to 1988. 34/  
Production dropped by an even greater amount from the interim period of  
1988 to the interim period of 1989. 35/

Capacity utilization followed a similar pattern, increasing from 1986 to  
1987, but dropping significantly between 1987 and 1988. The capacity  
utilization rate fell dramatically from interim 1988 to interim 1989. 36/

Domestic shipments of industrial nitrocellulose dropped significantly  
from 1986 to 1987, declining again between 1987 and 1988. Domestic market  
shipments continued the pattern of significant decreases from the interim  
period in 1988 to the same period in 1989. 37/

The number of workers and the number of hours worked declined slightly  
from 1986 to 1987, and again from 1987 to 1988. These measures fell by  
substantially larger numbers between January-June 1988, and the same period  
in 1989. 38/ Wages paid to workers producing industrial nitrocellulose  
increased slightly from 1986 to 1987, remained constant between 1987 and  
1988, but fell somewhat from the interim period of 1988 to the same period  
in 1989. 39/

Net sales decreased somewhat from 1986 to 1987. Net sales increased  
significantly from 1987 to 1988, and continued to show an increase from the  
interim period of 1988 to interim 1989. 40/

---

34/ Report at table 2, a-11.

35/ Id.

36/ Report at a-10, a-12.

37/ Report at a-12 and table 3.

38/ Report at a-16, and table 6 (a-17).

39/ Report at a-16, and table 6 (a-17).

40/ Report at table 7 (a-19).

Operating income decreased dramatically from 1986 to 1987, and then increased significantly from 1987 to 1988, resulting in marginally positive operating margins. 41/ Operating income increased significantly in interim 1989 compared to the interim period of 1988, but the resulting profit margin is still relatively low. 42/

Based on the data available in these investigations, we find there is a reasonable indication that the domestic industrial nitrocellulose industry is materially injured. 43/ Although the general financial data indicate that Hercules' condition has been improving somewhat since 1987, the trends in domestic shipments, capacity utilization and employment, particularly in interim 1989 as compared with interim 1988, constitute a sufficient basis for concluding that there is a reasonable indication of material injury for purposes of these preliminary investigations. 44/

---

41/ In late 1987, Hercules raised its prices, and sustained these increases during 1988. As a result, Hercules experienced a better year financially in 1988. Report at a-18. In any final investigation, Commissioners Eckes and Rohr intend to examine further Hercules' claims of inability to maintain these price levels.

42/ Report at a-18.

43/ Vice Chairman Cass does not join in this conclusion. He believes that the statute under which the Commission conducts Title VII investigations does not contemplate that the Commission will make a separate legal finding respecting the condition of the domestic industry. While he believes the condition of the domestic industry is relevant to assessing whether the effect of the allegedly LTFV imports has been "material," that information has relevance only in assessing material injury by reason of the allegedly LTFV imports. See Digital Readout Systems and Subassemblies Thereof from Japan, Inv. No. 731-TA-390 (Final), USITC Pub. 2150 (January 1989) at 95-113 (Concurring and Dissenting Views of Commissioner Cass); Generic Cephalixin Capsules from Canada, 731-TA-423 (Final), USITC Pub. 2211 (August 1989) at 47 (Additional Views of Vice Chairman Cass). See Additional Views of Vice Chairman Cass, infra.

44/ Chairman Brunsdale does not draw a legal conclusion regarding material injury independent of causation. For a discussion of her views on this issue, see n. 66 below.

### III. Cumulation

The statute, as amended in 1984, provides that---

For purposes of clauses (i) and (ii), the Commission shall cumulatively assess the volume and effect of the imports from two or more countries of like products subject to investigation if the imports compete with each other and with like products of the domestic industry in the United States market. 45/

To make this determination, the Commission has considered the following factors:

- (1) the degree of fungibility of imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
- (2) the presence of sales or offers to sell in the same geographical markets or imports from different countries and the domestic like product;
- (3) the existence of common or similar channels of distribution for imports from different countries and the domestic like product;
- (4) whether imports are simultaneously present in the market. 46/

While no single factor is determinative, and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for determining whether the imports compete with each other and with the domestic like product.

Counsel for the Chinese respondent, NORINCO, argued that Chinese industrial nitrocellulose should not be cumulated with other imports

---

45/ 19 U.S.C. § 1677(7)(C)(iv).

46/ 19 U.S.C. § 1677(7)(C)(iv). Certain Cast Iron Pipe Fittings from Brazil, the Republic of Korea and Taiwan, Inv. Nos. 731-TA-278- 280 (Final), USITC Pub. No. 1845 (May 1986), aff'd, Fundicao Tupy S.A. v. United States, 859 F. 2d 915 (Fed. Cir. 1988); see also Antifriction Bearings (Other Than Tapered Roller Bearings) and Parts Thereof From the Federal Republic of Germany, France, Italy, Romania, Singapore, Sweden, Thailand, and the United Kingdom, Inv. Nos. 303-TA-19 and 20 and Inv. Nos. 731-TA-391-399 (Final) (May 1989).

because of the quality differences and because of the comparative narrowness of their product range. 47/ Counsel for Japan contended that, because of freight costs, Japanese industrial nitrocellulose was sold only on the West Coast, and that its product is sold at higher prices than the Hercules' product. 48/

Although there is evidence that some end users perceive quality differences among some of the imports, including imports from China, as well as between some of the imports and the domestic like product, there is other evidence that Chinese imports, other subject imports, and the domestic like product are generally comparable in quality, and are essentially fungible. 49/ Further, there appears to be a reasonable overlap in the geographic and end-user markets in which the imports and the domestic like product are sold. For example, each country subject to investigation including China, as well as Hercules, sells RS grade in the U.S. market place. 50/ There is also public testimony that imports from China have been sold from California to New Jersey and that imports from Japan have been sold from California to Alabama. 51/ Further evidence of the reasonable overlap in competition can be found in the record, but is business proprietary, and cannot be discussed in these public views. 52/

Counsel for NORINCO further contends that industrial nitrocellulose imports from China should not be cumulated with the imports from other

---

47/ Post Conference Brief of NORINCO at 8-11.

48/ Post Conference Brief of Asahi at 33-34.

49/ Report at a-55. Tr. at 71.

50/ Report at table 23, a-37-40.

51/ Tr. at 56.

52/ Report at a-9-10, a-53-56.

countries on the basis of the negligible import exception. 53/ NORINCO contends that its market share and volume are very small and that its shipments are sporadic, based upon the fact that Chinese factories may be closed several times a year. Further, respondent maintains that the Chinese government does not permit shipment of materials with explosive potential for two weeks before and for two weeks after major holidays. 54/

The Commission also considered whether Korea, a recent entrant into the U.S. market for industrial nitrocellulose, should be a candidate for the negligible import exception.

We conclude, for purposes of these preliminary investigations, that we must cumulatively assess the volume and price effects of the allegedly LTFV imports of industrial nitrocellulose from Brazil, Japan, the United Kingdom, West Germany and Yugoslavia. We also conclude that, for purposes

---

53/ Section 1330 of the Omnibus Trade and Competitiveness Act of 1988 created a limited exception to cumulation for "negligible" imports. The statute authorizes the Commission, in its discretion, to except from the cumulation requirement imports from a country that are "negligible and have no discernible impact on the domestic industry." 19 U.S.C. § 1677(7)(C)(v). The statute directs the Commission to consider all relevant economic factors in making this determination, including volume and market share of the imports involved, whether sales transactions involving imports from that country are isolated and sporadic, and whether the like product is price sensitive by reason of the nature of the product, so that a small amount of imports could nonetheless result in price suppression or depression. 19 U.S.C. § 1677(7)(C)(v). The legislative history of this provision stresses that the Commission is to apply the exception narrowly and that it is not to be used to subvert the purpose and general application of the mandatory cumulation provision of the statute. See H.R. Rep. No. 40, Part 1 at 130-31; H.R. Rep. No. 576, 100th Cong., 2nd Sess. 621 (1988) (Conference Report). See also, Small Business Telephone Systems from Japan, Korea and Taiwan, Invs. Nos. 731-TA-426-428, (Preliminary), USITC Pub. 2156 (February 1989) at 34, n.73 ("Congress stated that the negligible imports exception to cumulation should be a limited one.") (finding that imports valued at over \$28 million in 1987 could not be considered to be negligible).

54/ Post Conference Brief of China North Industries Corporation at 2-8.

of these preliminary investigations, imports from both China and the Republic of Korea should be cumulated with the other imports. Given China's volume and market share, the dramatic rate of increase in Korea's market share, and the evidence suggesting that industrial nitrocellulose is highly price sensitive, both Chinese and Korean imports fail to qualify for the narrow statutory exception for negligible imports. 55/ We will explore the applicability of the negligible import exception further in any final investigations. 56/

IV. Reasonable indication of material injury by reason of allegedly LTFV imports from Brazil, Japan, the People's Republic of China, the Republic of Korea, the United Kingdom, West Germany and Yugoslavia

The final step in the Commission's preliminary determination in an antidumping investigation is to determine whether material injury to the domestic industry is "by reason of" the imports under investigation. 57/ The Commission may take into account other causes of harm to the domestic industry, but it is not to weigh causes. 58/ The imports need only be a

55/ Report at table 25, a-43-44.

56/ We will also explore further the issue of competition among all the imports, both with each other and with the domestic industry, during the final investigations. We are particularly interested in examining in more detail the extent to which quality differences among the products may make cumulation inappropriate with respect to imports from some of the countries under investigation.

57/ 19 U.S.C. § 1673b(a).

58/ "Current law does not... contemplate that the effects from the subsidized [or LTFV] imports be weighted against the effects associated with other factors (e.g., the volume and prices of nonsubsidized [LTFV] imports, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology, and the export performance and productivity of the domestic industry) which may be contributing to overall injury to an industry." S. Rep. No. 249, 96th Cong. 1st Sess. 57-58, 74 (1979)

cause of material injury. 59/ The Commission should consider all relevant factors and conditions of trade in making its determination. 60/

We find that there is a reasonable indication that the subject imports are a cause of material injury to the U.S. industrial nitrocellulose industry. Both market penetration and the absolute volume of subject imports increased from 1986 to 1988. In fact, the total market share of all seven countries nearly doubled from 1986 to 1988. This upward trend appears to be continuing in the interim period of 1989, as compared with the same period in 1988. 61/

The presence of underselling by the cumulated imports was also a factor in the Commission's decision. 62/ A total of 301 quarterly comparisons of domestic versus import price were possible on a country-by-country basis. Comparisons in 187 instances indicate underselling by the imported nitrocellulose from one or another of the subject countries. 63/ 64/ The Commission determines that the evidence of underselling on the record overall, although mixed, is significant. 65/

59/ Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1088 (Ct. Int'l Trade 1988); Hercules, Inc. v. United States, 673 F. Supp. 454, 479 (1987). Chairman Brunsdale is of the view that this formulation does not precisely reflect the meaning of the statutory requirement of material injury "by reason of [the subject] imports."

60/ 19 U.S.C. § 1677(7)(C)(iii) (Supp. 1989).

61/ Report at table 25, a-43-44.

62/ Commissioner Lodwick intends to explore more fully the demand and supply characteristics of this market to assess whether the presence of the LTFV imports significantly affects prices. Given that the product appears to be quite fungible, the high LTFV import penetration, and the other pricing data, there is a reasonable indication that the LTFV imports are affecting prices.

63/ Report at a-52.

64/ See 19 U.S.C. § 1677(7)(E)(ii).

65/ See Negev Phosphates, Ltd. v. United States Department of Commerce, 699 F. Supp. 938, 948-49 (Ct. Int'l Trade 1988) (underselling "mixed"

(continued...)



The fact that the record is replete with confirmed instances of both sales and revenue lost to the subject imports is also significant. 66/ The Commission was able to confirm six instances in which Hercules lost revenue, either from reducing prices or from the rollback of price increases, in response to competition from the respondents. 67/ The Commission was able also to confirm numerous instances of sales lost due to the lower prices of products imported from the respondent countries. 68/ 69/

---

65/(...continued)

although significant); Copperweld Corp., UNR v. United States, 682 F. Supp. 552, 564-67 (Ct. Int'l Trade 1988) (statute's focus is on significant underselling; the Commission has discretion to determine whether underselling is significant).

66/ Chairman Brunsdale does not rely heavily on the anecdotal evidence set forth in the preliminary record. She notes, however, that imported and domestic nitrocellulose, particularly the "wet" variety, appear to be broadly substitutable. Furthermore, nitrocellulose is used as an input into the production of other products--primarily lacquers and printing inks. Report at a-3. While nitrocellulose accounts for a significant portion of the cost of these products, it is not the only input. Tr. at 81, 89. Finally, lacquers and printing inks are relatively minor inputs into other products. All of these factors combine to suggest that the elasticity of demand for industrial nitrocellulose is not great. These factors, combined with the significant levels of imports from subject countries, provide a reasonable indication that imports from the subject countries may well have caused material injury to the domestic industry if they were sold at the alleged margins of dumping. Report at a-5. Chairman Brunsdale will explore these issues further in any final investigations.

67/ Report at a-53-56.

68/ Report at a-56-59.

69/ In considering causation in any final investigation, the Commission will further investigate such factors as the gradual decline in demand for nitrocellulose, Hercules' allegedly poor customer relations, and the effect the sale of domestic off-specification "Z" grade nitrocellulose at low prices has had on the market.

## V. Conclusion

For all of the reasons set forth above, we determine that there is a reasonable indication that the domestic industry producing industrial nitrocellulose is materially injured by reason of alleged LTFV imports from Brazil, People's Republic of China, Federal Republic of Germany, Japan, Republic of Korea, United Kingdom and Yugoslavia.

ADDITIONAL VIEWS OF VICE CHAIRMAN RONALD A. CASS

Industrial Nitrocellulose from Brazil, Japan,  
People's Republic of China, Republic of Korea,  
United Kingdom, West Germany and Yugoslavia  
Inv. Nos. 731-TA-439-445  
(Preliminary)

I concur with the Commission's determinations in these preliminary investigations, finding that there is a reasonable indication that the domestic industry producing industrial nitrocellulose ("INC") is suffering material injury by reason of alleged less than fair value ("LTFV") imports of INC from Brazil, Japan, the People's Republic of China, the Republic of Korea, the United Kingdom, West Germany and Yugoslavia. I join the Commission's discussion of the like product and cumulation issues, and of the condition of the domestic industry to the extent that it accurately summarizes information relevant to my disposition of this investigation. I offer these Additional Views because the analysis that I employ in assessing whether there is sufficient reason to believe that LTFV imports caused material injury to a domestic industry differs from that reflected in the Views of the Commission.

I. ASSESSING THE EXISTENCE OF MATERIAL INJURY:  
THE STATUTORY BASIS FOR THE COMMISSION'S INQUIRY

As I have explained at length in many other opinions, in my view, Title VII of the Tariff Act of 1930, as amended, the statute that governs antidumping and countervailing investigations, does not contemplate that, in evaluating whether there is a reasonable indication that a domestic industry has

suffered material injury by reason of LTFV imports, the Commission will make a separate inquiry into the condition of the relevant domestic industry, with a view toward determining whether the industry is, in some abstract sense, "injured".<sup>1/</sup> Rather, in assessing the effects of LTFV imports, we are to compare the condition of the domestic industry to the condition that would have existed had there not been LTFV imports, and determine whether the change in the circumstances of the industry that resulted from dumping (sales at LTFV) constitutes material injury.<sup>2/</sup>

Title VII directs the Commission, in assessing the causation of injury by dumped imports, to

"consider, among other factors --

(i) the volume of imports of the merchandise which is the subject of the investigation,

(ii) the effect of imports of that merchandise on prices in the United States for like products, and

(iii) the impact of imports of such merchandise on domestic producers of like products . . . ." <sup>3/</sup>

The statute goes on to spell out these three factors with greater particularity.

---

<sup>1/</sup> See, e.g., New Steel Rails from Canada, USITC Pub. 2217, Inv. Nos. 701-TA-297 and 731-TA-422 (Preliminary) 125-59 (Sept. 1989) (Dissenting Views of Vice Chairman Cass); Digital Readout Systems and Subassemblies Thereof from Japan, USITC Pub. 2150, Inv. No. 731-TA-390 (Final) 98-108 (Jan. 1989) (Concurring and Dissenting Views of Commissioner Cass) ("Digital Readout Systems").

<sup>2/</sup> See, e.g., id.; 3.5" Microdisks and Media Therefore from Japan, USITC Pub. 2076, Inv. No. 731-TA-389 (Preliminary) (April 1988) (Views of Commissioner Cass).

<sup>3/</sup> See 19 U.S.C. § 1677(7)(B).

The statutory text does not identify all of the factors relevant to an assessment of whether LTFV imports have materially injured a domestic industry. Indeed, the statute explicitly contemplates that the Commission will consider relevant economic factors in addition to those identified in the statute.<sup>4/</sup> The factors that are listed in the statute and the order in which they are listed nevertheless provide us with important guidance respecting the essential elements of the inquiry to be performed. Three related questions are identified as critical to an assessment of the possible existence of material injury by reason of LTFV imports.

First, we are to examine the volumes of imports of the merchandise under investigation. The absolute volumes of imports and their magnitude relative to domestic sales of the competing

---

<sup>4/</sup> See 19 U.S.C. § 1677(7)(C).

Under Title VII, as amended by the Omnibus Trade and Competitiveness Act of 1988, we are required to explain how these factors affect the outcome reached in any particular investigation. The statute also requires Commissioners to describe the relevance of other economic factors that we consider in addition those specifically identified in the statute. See Pub. L. No. 100-418, § 1328(1), 102 Stat. 1107, 1205 (to be codified as 19 U.S.C. § 1677(7)(B)(ii)). I have explained in detail in other opinions how the three-part inquiry that I employ considers certain other economic factors relevant to an assessment of the impact of unfairly traded imports on the domestic industry producing the like product -- e.g., dumping margins -- in addition to the specific factors listed in the statute. See, e.g., New Steel Rails from Canada, USITC Pub. 2135, Inv. Nos. 731-TA-422 and 701-TA-297 (Preliminary) 35-37 (Nov. 1988) (Additional Views of Commissioner Cass); Generic Cephalixin Capsules from Canada, USITC Pub. 2142, Inv. No. 731-TA-423 (Preliminary) 56-58 (Dec. 1988) (Dissenting Views of Commissioner Cass).

like product are both relevant to this question. So, too, is the effect of LTFV sales on the prices of the imports, as the change in import volumes brought about by dumping will be closely related to changes in the prices of the imports that occurred as a result of sales at LTFV prices.

Second, we must attempt to determine how the subject imports affected prices, and concomitantly sales, of the domestic like product. Beyond examining evidence of the prices at which imports and domestic like products are sold,<sup>5/</sup> evidence bearing on three issues is central to an analysis of this question: the share of the domestic market held by the subject imports; the degree to which consumers see the imported and domestic like products as similar (the substitutability of the subject imports and the domestic like product); and the degree to which domestic consumers change their purchasing decisions for these products based on variations in the prices of those products.

Finally, we must evaluate the extent to which these changes in demand for the domestic like product caused by LTFV imports affected the financial and employment performance of the domestic

---

<sup>5/</sup> Congress explicitly has asked us to look for the existence of significant price underselling. 19 U.S.C. § 1677(7)(C)(ii). The occurrence of price differences between imports and domestic products, however, cannot provide a basis for inference of effects of dumping or of LTFV imports on domestic products' prices without analysis of various product features and sales terms that may differ across products and sales. See, e.g., Certain Granite from Italy and Spain, USITC Pub. 2110, Inv. Nos. 701-TA-289 and 731-TA-381 (Final) (Aug. 1988).

industry, and determine whether these effects are material.<sup>6/</sup>  
Such factors as return on investment and the level of employment  
and employment compensation in the domestic industry must be  
examined in considering that issue.<sup>7/</sup>

II. REASONABLE INDICATION OF MATERIAL INJURY:  
INDUSTRIAL NITROCELLULOSE

1. Volume and Prices of LTFV Imports

During the first six months of the current year, the  
portion of our investigation that most nearly corresponds to the  
period when dumping of INC is alleged to have occurred, the  
volume of imports from the subject countries together amounted to  
almost 12 million pounds of INC valued at slightly in excess of  
\$12 million.<sup>8/</sup> Imports during this six-month period were roughly  
equal to imports of INC from the subject countries reported for  
all of 1986.<sup>9/</sup>

The record evidence before us in these preliminary  
investigations suggests a basis for belief that the volumes of

---

<sup>6/</sup> The judgment as to whether these effects are "material" within  
the meaning of the statute may be assimilated to the third  
inquiry or may be seen as a fourth part of our inquiry. See  
Digital Readout Systems, supra, at 117-19.

<sup>7/</sup> In making each of these inquiries under the statute, we are to  
consider the particular dynamics of the industries and markets at  
issue. See new Section 771(7)(C)(iii) of the statute (to be  
codified at 19 U.S.C. § 1677(7)(C)(iii)). See also S. Rep. No.  
71, 100th Cong., 1st Sess. 117 (1987).

<sup>8/</sup> Report at a-42, Table 24.

<sup>9/</sup> See id.

the subject imports increased significantly, and the prices of those imports declined significantly, as a result of the dumping alleged by Petitioner. Petitioner provided the Commission with an economic report, prepared by Petitioner's economic consultant, Daniel Klett of ICF Consulting Associates, containing a detailed description and analysis of information suggesting that dumping had significant effects on prices and sales of the subject imports.<sup>10/</sup> This important evidence was left essentially unchallenged by Respondents. For the purposes of these preliminary investigations, I find Petitioner's submission persuasive.

In the interests of brevity, I will not discuss in detail here all of the evidence that suggests that LTFV sales of the subject imports resulted in significant reductions in prices of the subject imports, and concomitant increased sales of imported INC. I note, however, that Petitioner has alleged that imports from all of the subject countries were sold at significant margins of dumping, ranging from as low as 37% in the case of West Germany to as high as 83% in the case of Brazil.<sup>11/</sup> In preliminary investigations such as these, these alleged margins

---

<sup>10/</sup> Submission by IGF Consulting Associates on behalf of Petitioner dated October 10, 1989 and entitled "Application of the CADIC Model to the U.S. Market for Industrial Nitrocellulose" ("Petitioner's Economic Submission").

<sup>11/</sup> See Supplement to the Petition.



are the best evidence available to us respecting the magnitude of the dumping that allegedly occurred.<sup>12/</sup>

For most of the subject countries, the actual decrease in the price of subject imports that occurred consequent to the alleged dumping would have been less than the amount of the dumping margin.<sup>13/</sup> Where the alleged dumping margins reflect an assertion that the subject foreign producers/exporters have charged a lower price for their product in the United States than the price that they have charged in their home market (or another foreign market used as the surrogate for the home market), the actual decrease in the U.S. price of the subject imports that occurred consequent to dumping will be only a fractional percentage of the dumping margin. This percentage, in turn, will be in large measure a function of the proportion of the total sales of the subject foreign producer(s) in the U.S. and the exporter's home market (or other surrogate foreign market) that is accounted for by sales in the home market. Accordingly, for those subject countries where the alleged margin is based on a comparison of prices charged in the U.S. and relevant home market

---

<sup>12/</sup> The legislative history of the Trade Agreements Act of 1979 specifies that, in preliminary investigations in antidumping cases, the Commission "will be guided by the description of the allegation of the margin of dumping contained in the petition or as modified by . . . [Commerce]". Statements of Administrative Action, Trade Agreements Act of 1979, at 415.

<sup>13/</sup> See, e.g., Certain Telephone Small Business Telephone Systems and Subassemblies Thereof from Japan, Korea and Taiwan, USITC Pub. 2156, Inv. Nos. 731-TA-426-428 (Preliminary) 75 (Feb. 1989) (Additional Views of Commissioner Cass).

-- that is, Brazil, Japan, Korea, the United Kingdom and West Germany -- the price decrease caused by dumping would have been less than the full amount of the asserted dumping margins. However, for all of these countries (with the possible exception of Korea), home market sales by the foreign producers outweighed the sales that those producers made in the United States.<sup>14/</sup> The alleged dumping therefore caused the prices of imports from those countries to decline by an amount reflecting a substantial portion of the dumping margin.<sup>15/</sup>

In the case of the imports of INC from the People's Republic of China and Yugoslavia, a different analysis of the effects of dumping on prices and sales of the imports is required because the alleged margins for those countries are based on an assertion that the prices that were charged for the subject INC produced in those countries were lower than the constructed value of that merchandise.<sup>16/</sup> As I have stated in other opinions,<sup>17/</sup> in cases

---

<sup>14/</sup> See Report at a-30, Table 14; a-30, Table 15; a-31, Table 16; a-32, Table 18; a-33, Table 19; a-33, Table 20.

<sup>15/</sup> This was particularly true for the Japanese and Brazilian producers, whose home market sales far outweighed their sales in the United States. In the case of Korea, home market sales per se were not reported, but the available production and export data nevertheless suggest home market sales in amounts far in excess of exports to the United States. See Report at a-45, Table 18.

<sup>16/</sup> See Supplement to the Petition.

<sup>17/</sup> See Antifriction Bearings (Other than Tapered Roller Bearings) and Parts Thereof from the Federal Republic of Germany, France, Italy, Japan, Romania, Singapore, Sweden, Thailand, and the United Kingdom, USITC Pub. 2185, Inv. Nos. 303-TA-19 and 20 and 731-TA-391-399 (Final) (Mar. 1989) (Concurring and Dissenting

involving constructed value margins, I believe that it is generally appropriate to use the full dumping margin as the measure of the amount by which the imports declined as a result of dumping, with the recognition that this may overstate somewhat the maximum effect that dumping may have had on prices of the subject imports.<sup>18/</sup> Accordingly, the record before us supports an inference that prices of imports from the People's Republic of China and Yugoslavia were significantly affected by the alleged dumping.

Thus, the evidence indicates that dumping caused prices of imports from all of the subject countries to decline significantly. The record evidence also suggests that these relatively large decreases in the prices of the subject imports resulted in significant increases in the volume of imports from the subject countries. The degree to which decreases in import prices result in increases in the volume of import sales depends, among other things, on the degree to which domestic consumers treat the imported goods in question as substitutable for the domestic like product. As discussed in the succeeding section of these Views, in these investigations, the record evidence indicates that there is at least a moderate degree of

---

Views of Vice Chairman Cass); Sewn Cloth Headwear from the People's Republic of China, USITC Pub. 2183, Inv. No. 731-TA-405 (Final) (May 1989) (Additional Views of Vice Chairman Cass);

<sup>18/</sup> Given the legal standard applicable in preliminary investigations, concern about the magnitude of potential overstatement is less acute than it would be in any final investigation.

substitutability between the domestic like product and INC imported from each of the subject countries.

B. Prices and Sales of the Domestic Like Product

As previously discussed, in determining how the subject imports affected prices, and concomitantly sales, of the domestic like product, it is essential to take into account certain evidence beyond the record evidence respecting the prices at which imports and domestic like products are sold.<sup>19/</sup> We must also consider the share of the domestic market held by the subject imports; the substitutability of the subject imports and the domestic like product; and the degree to which domestic consumers change their purchasing decisions for these products based on variations in the prices of those products.

On these issues as well, the economic submission by Petitioner's consultant provided the Commission with a great deal of assistance. As previously noted, Respondents were essentially silent on most of the key issues addressed in that submission.

In these investigations, the cumulated market share of the imports from the subject imports is relatively high. In the first six months of this year, the period covered by our

---

<sup>19/</sup> Congress explicitly has asked us to look for the existence of significant price underselling. 19 U.S.C. § 1677(7)(C)(ii). The occurrence of price differences between imports and domestic products, however, cannot provide a basis for inference of effects of the unfair trade practice or of unfairly traded imports on domestic products' prices without analysis of various product features and sales terms that may differ across products and sales. See, e.g., Certain Granite from Italy and Spain, USITC Pub. 2110, Inv. Nos. 701-TA-289 and 731-TA-381 (Final) (Aug. 1988).

investigation that most nearly corresponds to the period during which dumping is alleged to have occurred, imports from the seven subject countries, measured on the basis of quantity, accounted for [ \* ]% of domestic consumption of INC.20/ Measured by value, import market penetration was almost as high, amounting to [ \* ]% of domestic consumption during the first six months of the current year.21/ These figures represent a slight increase from import market penetration levels reported during full year 1988, but a sharp increase from 1986, when imports from the subject countries accounted for only [ \* ]% of the total quantity of domestic INC consumption and [ \* ]% of the value of such consumption.22/

As Petitioner's economic consultant suggested, the record evidence in these preliminary investigations is consistent with an inference that imports from each of the subject countries are moderately substitutable for domestically produced INC.23/ To be sure, there is some evidence, acknowledged by Petitioner, that the quality of the INC imported from several of the subject countries, such as the People's Republic of China and Yugoslavia,

---

20/ Report at a-43, Table 25. The United Kingdom accounted for by far the largest portion of this figure, with imports from that country amounting to [ \* ]% of domestic consumption during the period January 1989-June 1989. Id.

21/ Id. at a-43, Table 25.

22/ Id. at a-43-a-44, Table 25.

23/ See Petitioner's Economic Submission at 10.

is lower than that of the domestic like product.<sup>24/</sup> Petitioner also acknowledged that the longer delivery lead time for imports from several of the subject countries, and the need for INC producers to pass time-consuming qualifications tests in order to supply INC to the major domestic INC users, operate to some extent to limit the substitutability of the subject imports for the domestic like product.<sup>25/</sup> Still, on balance, the record evidence in these preliminary investigations suggests that domestic consumers view imported INC and domestically produced INC as close substitutes. In any final investigation, however, this is an issue that should be given especially close attention by the parties.

The final issue that must be considered in assessing the effects of LTFV sales of the subject imports on prices and sales of the domestic like product is the extent to which domestic consumers will increase or decrease their purchases of INC in response to changes in the price of INC. The record evidence on that issue in these investigations is relatively sparse.

Petitioner conceded that domestic INC demand is reasonably responsive to price changes, but argues, inter alia, that the lack of substitutes for INC for use with high-quality furniture -- which is, according to Petitioner, the principal application of INC -- limits the price-responsiveness of domestic demand for

---

<sup>24/</sup> Id. at 8.

<sup>25/</sup> Id. at 8-9.

INC.<sup>26/</sup> This argument was not controverted by Respondents. This evidence, considered in conjunction with the other previously-discussed evidence respecting the domestic market share of the subject imports and the substitutability of imported INC for the domestic like product, is more than sufficient to support an inference that the alleged dumping of the subject imports resulted in significantly decreased prices and sales of the domestic like product.

C. Investment and Employment

The investment and employment data compiled by the Commission for the domestic industry producing INC are neither inconsistent with, nor strongly corroborative of, the conclusion that there is a reasonable indication that the subject alleged LTFV imports caused material injury to that industry. As in other Title VII cases, I have fully considered the data respecting the financial and employment performance of the domestic industry that the Commission has collected, but have done so with care, with the recognition that such information must be viewed in the context of the other information that is available to us respecting the effects of the alleged LTFV imports in question. In every case that comes before us, there will be many factors that will have affected the performance of the domestic industry, ranging from the overall state of the domestic and global economies to developments that may affect

---

<sup>26/</sup> See id. at 11.

only specific companies within an industry, and these factors, most of which are not related in any way to unfairly traded imports, will also be reflected in the various indicators of industry performance that we normally consider.

With that caveat in mind, I note that the employment and financial data for the domestic industry are mixed. By most measures -- the number of production workers, hours worked, wages and compensation paid -- employment in the industry declined markedly in the first half of the current year relative to the industry's experience during the comparable six-month period in 1988.<sup>27/</sup> During the preceding three years covered by our investigation, these same employment measures were essentially stable, or declined slightly.<sup>28/</sup>

The financial performance of the domestic industry, however, appears to have improved substantially during the most recent period covered by our investigation. During the first six months of the current year, for example, industry operating income was almost ten times the level reported during the first six months of 1988.<sup>29/</sup> This represents a marked improvement from the industry's financial performance during earlier periods -- for

---

<sup>27/</sup> Report at a-17, Table 6. As previously noted, the first six months of this year is the period of our investigation that corresponds most closely to the period during which dumping is alleged to have occurred. Average hourly wages paid to production workers are the only significant employment indicator that registered improvements during that period.

<sup>28/</sup> See id.

<sup>29/</sup> Id. at a-19, Table 7.



example, 1986 and 1987 -- when the industry generated operating losses.<sup>30/</sup>

In short, then, the available employment and financial data are quite ambiguous. For that reason, my conclusion that there is a reasonable indication that the domestic industry is suffering material injury by reason of LTFV sales of the subject imports is predicated primarily on the other evidence, previously discussed, that suggests that the alleged dumping significantly and adversely affected prices and sales of domestically produced industrial nitrocellulose.

#### CONCLUSION

For the foregoing reasons, I believe that the record evidence in these investigations demonstrates that there is a reasonable indication of material injury to the domestic industry producing industrial nitrocellulose by reason of LTFV sales of industrial nitrocellulose imported from the countries that are the subject of these investigations.

---

<sup>30/</sup> See id.



## INFORMATION OBTAINED IN THE INVESTIGATIONS

## Introduction

On September 19, 1989, the Commission received a petition filed by counsel on behalf of Hercules Incorporated, Wilmington, DE. The petition alleges that an industry in the United States is materially injured or threatened with material injury by reason of imports from Brazil, Japan, the People's Republic of China (PRC), the Republic of Korea (Korea), the United Kingdom, West Germany, and Yugoslavia of industrial nitrocellulose, provided for in subheading 3912.20.00 of the Harmonized Tariff Schedule of the United States (HTS) (previously under item 445.25 of the former Tariff Schedules of the United States), that are alleged to be sold in the United States at less than fair value (LTFV).

Accordingly, the Commission instituted, effective September 19, 1989, preliminary antidumping investigations Nos. 731-TA-439 (Preliminary) (Brazil), 731-TA-440 (Preliminary) (Japan), 731-TA-441 (Preliminary) (People's Republic of China), 731-TA-442 (Preliminary) (Republic of Korea), 731-TA-443 (Preliminary) (United Kingdom), 731-TA-444 (Preliminary) (West Germany), and 731-TA-445 (Preliminary) (Yugoslavia), under section 733(a) of the Tariff Act of 1930, to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from the aforementioned countries of industrial nitrocellulose that are alleged to be sold in the United States at LTFV.

Notice of the institution of the Commission's investigations and of a conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the Federal Register of September 22, 1989 (54 F.R. 39055).<sup>1</sup> The conference was held on October 11, 1989,<sup>2</sup> and the Commission voted on these investigations on October 30, 1989. The statute directs that the Commission make its determinations in these cases within 45 days after receipt of the petition, or by November 3, 1989.

## Previous Commission Investigations Concerning Nitrocellulose

There have been two previous Commission investigations concerning nitrocellulose. During June 1983 the Commission determined, pursuant to section 705(b)(1) of the Tariff Act of 1930 (19 U.S.C. 1671d(b)(1)), that an industry in the United States was materially injured by reason of imports of nitrocellulose from France that had been found by the Department of Commerce to be subsidized by the Government of France.<sup>3</sup> During July 1983 the Commission determined, pursuant to section 735(b)(1) of the Tariff Act of 1930 (19 U.S.C. 1673d(b)(1)), that an industry in the United States was materially

---

<sup>1</sup> Copies of the Commission's and Commerce's notices are shown in app. A.

<sup>2</sup> A list of witnesses appearing at the conference is presented in app. B.

<sup>3</sup> Nitrocellulose from France: Determination of the Commission in Investigation No. 701-TA-190 (Final) Under the Tariff Act of 1930, Together With the Information Obtained in the Investigation, USITC Publication 1390, June 1983.

injured by reason of imports of nitrocellulose from France that were found by the Department of Commerce to be sold in the United States at LTFV. <sup>4</sup>

### The Product

#### Product description

The imported product subject to these investigations is industrial nitrocellulose (also known as cellulose nitrate). Industrial nitrocellulose is a white, amorphous, plastics material prepared commercially by reacting cellulose, from cotton linters or wood pulp, with an aqueous mixture of nitric acid and sulfuric acid.

Both imported and domestic industrial nitrocellulose are available in the following commercial grades, or their equivalents:

<u>Product</u>	<u>Nitrogen content</u> <u>(percent)</u>
SS-type.....	10.8-11.2
AS-type.....	11.3-11.7
RS-type.....	11.8-12.2

The RS-type nitrocellulose accounts for approximately \* \* \* percent of domestic production of industrial nitrocellulose. RS-type nitrocellulose is soluble in ketones, esters, and ether-alcohol mixtures and has a high tolerance for aromatic hydrocarbons. The compatibility of RS-type nitrocellulose with many synthetic resins accounts for its widespread use in the production of lacquer coatings. AS-type nitrocellulose is soluble in the same solvents as RS-type nitrocellulose, but tolerates higher proportions of alcohols in the solvent blend. SS-type nitrocellulose is soluble in alcohols and is more thermoplastic than the other types. SS-type is preferred in rotogravure and flexographic inks due to its solubility in solvent systems with high alcohol contents. In addition, Hercules has marketed "off-specification" industrial nitrocellulose that it calls "Z-grade," which is a mixture of RS-, AS-, and SS-types. <sup>5</sup> Z-grade nitrocellulose is recovered from a recycle water stream for environmental reasons and is reportedly not produced intentionally. No imports of industrial nitrocellulose are believed to be off-specification material such as Hercules' Z-grade, although there is information on the record that there have been quality problems with nitrocellulose from the PRC. <sup>6</sup>

Since it is hazardous to ship or store nitrocellulose in the dry form because of its flammable and even explosive nature, it is usually shipped or stored wet with 30 percent or more alcohol or with 18 percent or more of a

<sup>4</sup> Nitrocellulose from France: Determination of the Commission in Investigation No. 731-TA-96 (Final) Under the Tariff Act of 1930. Together With the Information Obtained in the Investigation, USITC Publication 1409, July 1983.

<sup>5</sup> Transcript of conference, pp. 23-25.

<sup>6</sup> Transcript of Commission's conference, p. 130.

plasticizer such as dibutyl phthalate, <sup>7</sup> as required by the U.S. Department of Transportation. <sup>8</sup> The specific alcohol used to wet the nitrocellulose may vary. Depending on customers' requirements, water, plastic, or other wetting agents may be used instead of alcohol.

There is another type of nitrocellulose known as explosive nitrocellulose, or guncotton. Explosive nitrocellulose is used in smokeless gun powder and explosives (such as dynamite) and is generally more viscous and higher in nitrogen content (12.6 to 13.4 percent compared with 10.8 to 12.2 percent) than is industrial nitrocellulose. Further, explosive nitrocellulose is not soluble in the solvents used to dissolve industrial nitrocellulose and is, therefore, unsuitable for use as industrial nitrocellulose. Explosive nitrocellulose is usually shipped wet with water rather than with alcohol. Explosive nitrocellulose was specifically excluded by the petitioner from the scope of the LTFV complaints.

### Manufacturing processes

In the Hercules process, the cellulose and mixed nitrating acids are fed continuously and simultaneously into a vessel, where nitration of the cellulose takes place. After nitration, the slurry of nitrocellulose and spent acid is passed into a centrifuge, which removes the spent acids and water. After removal from the centrifuge, the product is boiled for stability and fed into a continuous digester for proper molecular weight control. \* \* \*. The alcohol-wet nitrocellulose is then packaged into steel drums for shipment. Both the industrial and explosive nitrocellulose are produced in similar equipment up through the nitration step. Beyond nitration, however, the facilities for industrial and explosive nitrocellulose are distinct.

A flow chart of the Hercules production process for industrial nitrocellulose is shown in figure 1. Hercules uses a continuous process for the production of nitrocellulose, while foreign producers purportedly use batch processes. <sup>9</sup> Further, counsel for Wolff argues that the manufacturing process for the production of plasticized nitrocellulose is different from that used to produce nitrocellulose wet with alcohol. <sup>10</sup>

### Uses

Industrial nitrocellulose is used principally in the manufacture of fast-drying, durable, lacquer coatings. These nitrocellulose lacquers provide a high-luster shine to the coated articles. For over 60 years, nitrocellulose lacquers have been used by the furniture industry because of their ease of application, fast drying, and ease of repair. Other uses for industrial nitrocellulose include metal lacquers, printing inks, and stains and lacquers for leather.

---

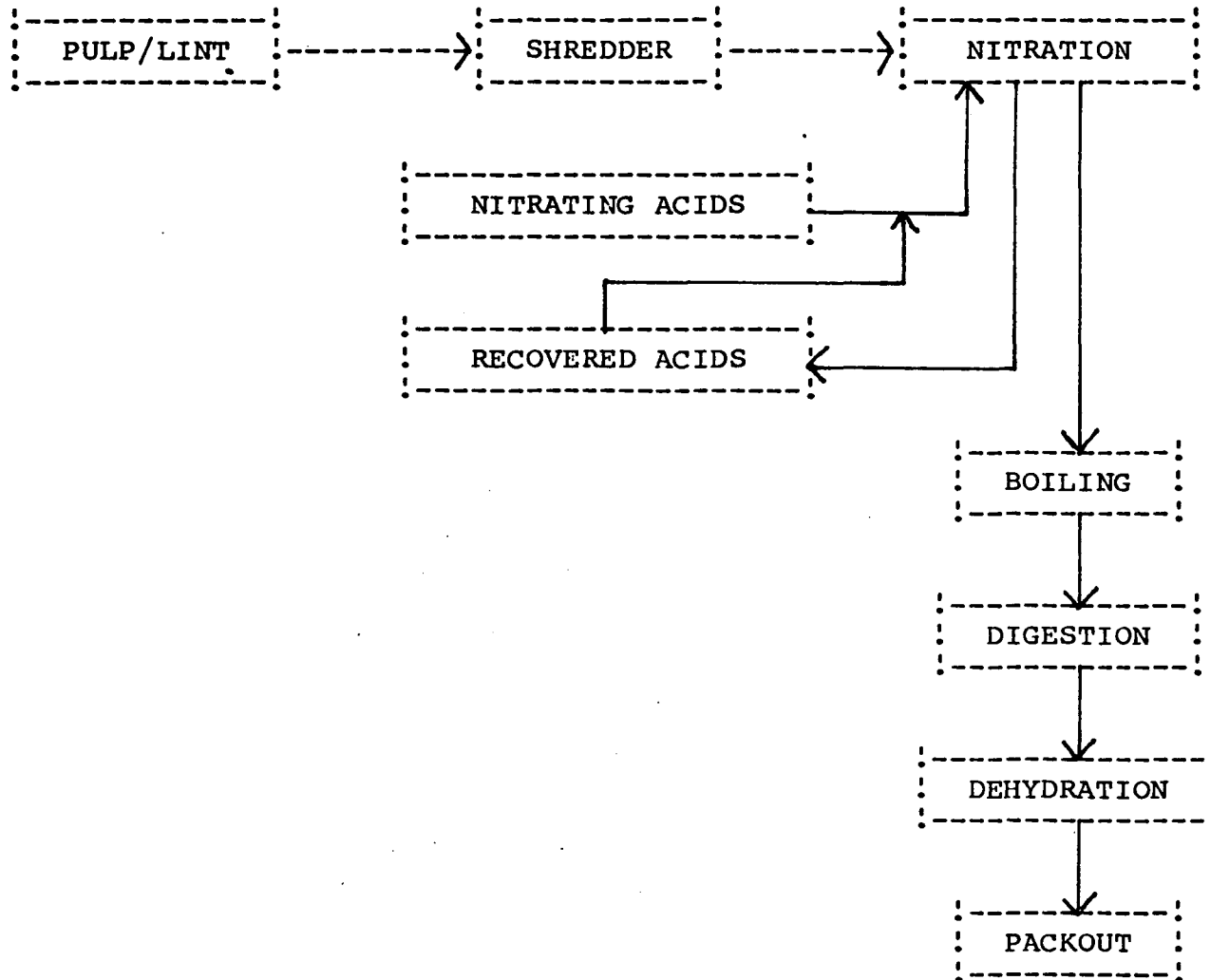
<sup>7</sup> At the Commission's conference, counsel for ICI Americas, Inc., and counsel for Wolff Walsrode argued that industrial nitrocellulose shipped with a plasticizer is a separate like product from nitrocellulose shipped with alcohol. Transcript of conference, pp. 101 and 133.

<sup>8</sup> See 49 CFR § 173.177.

<sup>9</sup> Postconference brief of counsel on behalf of Asahi, p. 25.

<sup>10</sup> Postconference brief of counsel on behalf of Wolff Walsrode AG, p. 7.

Figure 1  
SCHEMATIC OF HERCULES' NITROCELLULOSE PRODUCTION



Source: Hercules, Inc.

### U.S. tariff treatment

Effective January 1, 1989, imports of industrial nitrocellulose are classified in subheading 3912.20.00, covering cellulose nitrates (including collodions), of the HTS.<sup>11</sup> The current column 1 general rate of duty for industrial nitrocellulose, applicable to imports from Japan, the People's Republic of China, the Republic of Korea, the United Kingdom, and West Germany, is 5.2 percent ad valorem.<sup>12</sup> Imports of industrial nitrocellulose from Brazil and Yugoslavia are eligible to receive duty-free entry as products of countries designated as beneficiary developing countries under the Generalized System of Preferences (GSP). Hercules has petitioned the United States Trade Representative (USTR) to remove GSP treatment for imports of nitrocellulose from Brazil and Yugoslavia. The USTR requested the Commission's advice on Hercules' request, and the Commission held a hearing on October 4, 1989, to allow parties to testify in support of and in opposition to Hercules' GSP request.

### The Nature and Extent of Alleged Sales at LTFV

Petitioner calculated alleged LTFV margins for each country subject to these investigations by using a method that, according to petitioner, approximates the Department of Commerce's usual methodology to the greatest extent possible with available data. Petitioner's alleged LTFV margins are as follows:

<u>Country</u>	<u>LTFV margin</u> <u>(percent ad valorem)</u>
Brazil.....	83
Japan.....	66
PRC.....	78
Korea.....	66
United Kingdom.....	40
West Germany.....	37
Yugoslavia.....	65

Exhibit 4 of the petition contains a general explanation of the methodology used by petitioner for LTFV margin calculations. Exhibits 5 through 11 of the petition contain detailed margin calculations for manufacturers in each of the subject countries.

---

<sup>11</sup> Prior to 1989, imports of nitrocellulose were classified under TSUS item 445.25, for synthetic cellulosic plastics materials other than cellulose acetate.

<sup>12</sup> The rates of duty in col. 1 general are most-favored-nation (MFN) rates and are applicable to imported products from all countries except those Communist countries and areas enumerated in general note 3(b) of the HTS. However, MFN rates would not apply if preferential tariff treatment is sought and granted to products of developing countries under the GSP or the Caribbean Basin Economic Recovery Act (CBERA) or to products of Israel under the special rates of duty column. Eligible nitrocellulose imported from Canada has a reduced rate of duty of 4.1 percent ad valorem under the United States-Canada Free Trade Agreement. The column 2 rate of duty, applicable to certain Communist countries, is 34.5 percent ad valorem.

### The Domestic Market and Channels of Distribution

The derived demand for nitrocellulose as a key input for lacquer coatings has its origin in a broad range of products that use such coatings. End uses and their approximate percentage contribution to 1988 demand for nitrocellulose lacquers are listed below.

<u>End use</u>	<u>Estimated percentage distribution of demand</u>
Furniture and wood products.....	40
Flexographic and rotogravure inks.....	28
Automotive refinishing.....	3
Cellophane coating.....	2
Fingernail polish.....	1
Leather coating.....	8
Miscellaneous applications.....	<u>18</u>
Total.....	100

Demand for nitrocellulose for manufacturing coatings for the furniture industry has decreased somewhat in recent years as molded plastic components and roll-on imitation wood grain finishes have replaced natural wood in furniture manufacturing. Changes in the finishes of automobile bodies have also negatively affected demand for nitrocellulose for that category of end use. Substitute auto finishes do not use nitrocellulose lacquer coatings. Downsizing of autos has cut further into demand for coatings. Other changes that have affected the furniture segment of demand include the decrease in square footage of new homes and the accompanying downsizing of furniture. The increased costs of housing, automobiles, home appliances, and other costs of living have cut into the share of disposable income that could be allocated for new furniture. Environmental controls imposed on manufacturing processes and uses that involve toxic and carcinogenic solvents have also cut into the market for nitrocellulose and its end products and is a consideration of increasing concern for end users.

Sales of nitrocellulose are made direct to end users by the domestic producer and by importers. Some major end users import for their own account. Other end users buy from importers who may arrange drop shipment direct from the foreign supplier or may ship from port of entry or regional warehouse inventory in the United States. \* \* \*.

All nitrocellulose is shipped wet, usually in a mixture containing 70 percent dry weight nitrocellulose and 30 percent alcohol or water. U.S.-produced nitrocellulose is packed in 55-gallon, open-head, steel drums. These zinc-coated steel drums are returnable and, upon reconditioning, can be reused for 5 to 20 trips. The cost of packaging the nitrocellulose in this method is estimated to be \* \* \* to \* \* \* cents per pound. Imported nitrocellulose from the subject countries is shipped in polyethylene bags placed inside a 217 liter (57 gallon) fiber drum, with a weatherproof plastic outer layer, or shipped in lined non-returnable steel drums. This method of shipment is cheaper than a reusable steel container according to some importers. Other importers point out that the cost of disposing of the nonreturnable drum gives the domestic supplier a cost advantage relative to the returnable drum. Importers and end users purchasing Yugoslavian nitrocellulose for their own account must buy in container quantity, 165 drums per container, because that country's exporter does not stock warehouse inventory in the United States.



Although Hercules publishes a price list, transaction prices generally are negotiated on a customer-by-customer basis. Although some large end users operate multiple plants in diverse locations, they generally negotiate prices based on aggregate anticipated annual volume. The individual plants, however, in some cases operate as autonomous profit centers and may opt to order independently or may purchase under the corporate umbrella package negotiated by the parent firm. One major end user who purchases from Hercules and from several import sources allocates an intended percentage share to each of its sources of nitrocellulose supply. This firm states that its supplier of Brazilian nitrocellulose has not met the desired percentage, adding that the reason for the shortfall in imports from that source is not known.

Another large end user who imports for the firm's own account explains that because of the nature of the product, i.e., the possibility of a domestic or foreign supplier plant shutdown because of accidental explosion or fire, dependable supply requires several alternative sources of supply. Assuring dependable supply requires establishing an ongoing relationship with alternative suppliers, not simply a spot order from time to time as emergencies might dictate.

The market for nitrocellulose in terms of customers and volume considerations is characterized by a so-called 80/20 pattern. Conference testimony revealed that 80 percent of the volume of shipments is accounted for by 20 percent of the total number of customer accounts. This means a relatively small number of purchasers order nitrocellulose in large quantities. Consequently, volume discounts, negotiated prices, and, in some cases, rebates for achieved volumes characterize this market. This structure may also make large buyer identification, marketing, national distribution, new entry, and market penetration much easier for importers of nitrocellulose. It also results in strong competition among importers. Questionnaire responses and conference testimony indicate that imports from all of the subject countries have successfully targeted large-volume accounts.

#### U.S. consumption

The data on apparent U.S. consumption of industrial nitrocellulose presented in table 1 are composed of Hercules' domestic shipments of industrial nitrocellulose reported in response to the Commission's questionnaires, plus imports of nitrocellulose from the seven countries concerned in these investigations reported in response to the Commission's questionnaires, plus imports of cellulose plastics materials (other than cellulose acetate) for TSUS item 445.25 reported in official statistics of the U.S. Department of Commerce (Commerce) for 1986-88 and imports of nitrocellulose (cellulose nitrate) for HTS subheading 3912.20.00 reported in Commerce statistics for 1989 for all other countries for which the Commission's questionnaire responses were not used. On the basis of the data presented in table 1, apparent consumption of industrial nitrocellulose increased \* \* \* percent from 1986 to 1987 and slipped \* \* \* percent from 1987 to 1988. Apparent consumption declined by \* \* \* percent during January-June 1989 compared with that during the corresponding period of 1988.

Table 1

Industrial nitrocellulose: U.S. producer's shipments, U.S. imports, U.S. exports, and apparent U.S. consumption, 1986-88, January-June 1988, and January-June 1989

(In thousands of wet pounds)					
Item	1986	1987	1988	January-June--	
				1988	1989
U.S. producer's shipments:					
Domestic.....	***	***	***	***	***
Export <sup>1</sup> .....	***	***	***	***	***
Total.....	***	***	***	***	***
U.S. imports from-- <sup>2</sup>					
Brazil.....	***	***	***	***	***
Japan.....	***	***	***	***	***
People's Republic of China.....	***	***	***	***	***
Republic of Korea.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Yugoslavia.....	***	***	***	***	***
Subtotal.....	12,139	17,842	21,026	10,558	11,828
France.....	2,776	2,295	461	184	201
Subtotal.....	14,915	20,137	21,487	10,742	12,029
All other countries....	1,592	2,121	1,229	652	230
Total imports.....	16,507	22,258	22,716	11,394	12,259
Apparent U.S. consumption.....	***	***	***	***	***

<sup>1</sup> Principal export markets in 1988 were \* \* \*.

<sup>2</sup> Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission for Brazil, Japan, People's Republic of China, Republic of Korea, United Kingdom, West Germany, and Yugoslavia; and compiled from official statistics of the U.S. Department of Commerce for other countries.

Note.--Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission, except as noted.

U.S. producer

Hercules Incorporated, Wilmington, DE, is the only remaining U.S. producer of industrial nitrocellulose.<sup>13</sup> Hercules produces both industrial and explosive nitrocellulose for commercial markets at Parlin, NJ.

Hercules, as a corporation, has sales of approximately \$3 billion; employs about 24,000 people; and considers itself a world leader in such areas as paper chemicals, food ingredients, and water soluble polymers. Hercules has a large ordinance operation which it operates, under contract, for the Federal Government.<sup>14</sup>

U.S. importers

Information provided by the petitioner and the U.S. Customs Service identified about 60 firms that were potential importers of nitrocellulose. Questionnaires were sent to the firms named in the petition and identified through Customs documents.

There is a complicated network of importers, agents for importers, customs brokers, foreign producers, agents for foreign producers, and end users involved with the importation of industrial nitrocellulose into the United States. Therefore, most of the questionnaires were returned with the cover page certifying that the respondent did not import industrial nitrocellulose during any of the period January 1986-June 1989. However, a few importers accounted for most of the imports and, in several instances, one importer accounted for most if not all imports from a particular country. Thus, questionnaire responses were received from the principal importers of industrial nitrocellulose.

Specifically, Kaymont Chemical Corp., Richmond, VA, and its related companies, is the exclusive U.S. agent for Nitro Quimica, the only producer of nitrocellulose in Brazil.<sup>15</sup> Therefore, Kaymont's questionnaire response should account for all imports of industrial nitrocellulose from Brazil.

Questionnaire responses were received from \* \* \* importers of industrial nitrocellulose from Japan. These firms are \* \* \*. These \* \* \* firms import industrial nitrocellulose from \* \* \*, and these questionnaire responses are believed to account for most of the imports of industrial nitrocellulose from Japan. Another known importer of industrial nitrocellulose, \* \* \*, did not respond to the Commission's questionnaire.

Questionnaire responses were received from \* \* \* importers of industrial nitrocellulose from the PRC. These firms are \* \* \*. \* \* \*. \* \* \*. \* \* \*. \* \* \* imports of industrial nitrocellulose from Korea. \* \* \*.

---

<sup>13</sup> Prior to 1977, E.I. du Pont de Nemours & Co., Wilmington, DE, produced industrial nitrocellulose at a plant in Carney's Point, NJ. On July 19, 1977, the firm announced to its customers that it was phasing out the sale of industrial nitrocellulose by Dec. 30, 1977. The reason Du Pont gave for the plant closure was the company's view that capital expenditures to modernize its production plant to meet environmental regulations were not justified because the nitrocellulose market would continue to shrink in future years.

<sup>14</sup> Transcript of conference, pp. 15-16.

<sup>15</sup> Id., p. 120.

A questionnaire response was received from ICI Americas, Wilmington, DE. ICI Americas is the exclusive U.S. importer and distributor of industrial nitrocellulose manufactured by ICI, the only producer in the United Kingdom.<sup>16</sup> Therefore, this questionnaire response should account for all imports of industrial nitrocellulose from the United Kingdom.

Questionnaire responses were received from \* \* \* importers of industrial nitrocellulose from West Germany--Wolff Products Company, Burr Ridge, IL, \* \* \*. Wolff Products is an independently operated division of Mobay Corp. and an importer of industrial nitrocellulose from Wolff Walsrode AG, West Germany.<sup>17</sup> \* \* \*. \* \* \*. These \* \* \* importers are believed to account for most, if not all, imports of industrial nitrocellulose from West Germany during January 1986-June 1989.

Yugoslavian nitrocellulose is distributed in the United States primarily through sales to Reliance Universal, Louisville, KY, although the "Yugoslavs did make a sale to Hercules in 1987, a relatively large sale."<sup>18</sup> Questionnaire responses were received from both Reliance and Hercules. \* \* \*. \* \* \*. \* \* \*.

In addition to the above, \* \* \*. The principal importer of industrial nitrocellulose from France did not respond to the Commission's questionnaire.

#### Consideration of Alleged Material Injury

In order to gather data on the question of material injury to the U.S. industry producing industrial nitrocellulose, a questionnaire was sent to the sole domestic producer, Hercules Incorporated.

#### U.S. capacity, production, and capacity utilization

The Commission requested Hercules to provide data on its average-for-period practical capacity<sup>19</sup> for 1986-88, January-June 1988, and January-June 1989 for industrial nitrocellulose, by types, and for explosive nitrocellulose. \* \* \*. Reported capacity for industrial nitrocellulose and for explosive nitrocellulose was constant during January 1986-June 1989 (table 2).

U.S. production of industrial nitrocellulose increased by \* \* \* percent from 1986 to 1987 and then dropped \* \* \* percent from 1987 to 1988 (table 2). As shown in table 2, most of the domestic production of industrial nitrocellulose is of the RS-type, which accounted for \* \* \* percent of total production in 1986, \* \* \* percent in 1987, and \* \* \* percent in 1988.

---

<sup>16</sup> Id., p. 99.

<sup>17</sup> Id., p. 108.

<sup>18</sup> Id., p. 117.

<sup>19</sup> Practical capacity was defined as the greatest level of output a plant can achieve within the framework of a realistic work pattern. The producer was asked to consider, among other factors, a normal product mix and an expansion of operations that could be reasonably attained in its industry and locality in setting capacity in terms of the number of shifts and hours of plant operations. Reported data are for \* \* \*. \* \* \*. \* \* \*.

Table 2

Nitrocellulose: Practical capacity,<sup>1</sup> U.S. production, and capacity utilization, by types, 1986-88, January-June 1988, and January-June 1989

(In thousands of wet pounds, except as noted)					
Item	1986	1987	1988	January-June-- 1988	1989
Industrial nitrocellulose:					
Practical capacity: <sup>1</sup>					
Average-of-period:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
Other types.....	***	***	***	***	***
Total.....	***	***	***	***	***
U.S. production:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
Other types.....	***	***	***	***	***
Total.....	***	***	***	***	***
Capacity utilization:					
Average-of-period:					
RS-type (percent)....	***	***	***	***	***
AS-type (percent)....	***	***	***	***	***
SS-type (percent)....	***	***	***	***	***
Other types					
(percent).....	***	***	***	***	***
Total (percent)....	***	***	***	***	***
Explosive nitrocellulose:					
Practical capacity: <sup>1</sup>					
Average-of-period.....	***	***	***	***	***
U.S. production.....	***	***	***	***	***
Capacity utilization:					
Average of period					
(percent).....	***	***	***	***	***

<sup>1</sup> Practical capacity was defined as the greatest level of output a plant can achieve within the framework of a realistic work pattern. Producers were asked to consider, among other factors, a normal product mix and an expansion of operations that could be reasonably attained in their industry and locality in setting capacity in terms of the number of shifts and hours of plant operations. \* \* \*.

Note.--Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Production of "other types" \* \* \* of industrial nitrocellulose accounted for \* \* \* percent of total production in 1986, \* \* \* percent in 1987, \* \* \* percent in 1988, and \* \* \* percent during January-June 1989.

Production of all types of industrial nitrocellulose during January-June 1989 plummeted by \* \* \* percent compared with the level of production in the corresponding period of 1988.

The capacity utilization rate for industrial nitrocellulose increased \* \* \* percent from 1986 to 1987 and slipped by \* \* \* percent from 1987 to 1988. Capacity utilization fell by \* \* \* percent during January-June 1989 compared with January-June 1988. \* \* \*. \* \* \*. \* \* \*.

#### U.S. producer's shipments

Total shipments of all types of industrial nitrocellulose by Hercules increased slightly (by \* \* \* percent) on the basis of quantity from 1986 to 1987 and dropped \* \* \* percent from 1987 to 1988 (table 3). Such shipments decreased by \* \* \* percent during January-June 1989 compared with domestic market shipments during the corresponding period of 1988.

Domestic market shipments dropped \* \* \* percent from 1986 to 1987 and declined \* \* \* percent from 1987 to 1988. Domestic market shipments during January-June 1989 were \* \* \* percent below such shipments during the corresponding period of 1988.

Most domestic shipments of industrial nitrocellulose were of the RS-type and such shipments accounted for \* \* \* percent of all domestic shipments in 1986, \* \* \* percent in 1987, and \* \* \* percent in 1988. Shipments of unspecified types (all other types) of industrial nitrocellulose, \* \* \*, accounted for \* \* \* percent of total domestic shipments in 1986 (based on quantity), \* \* \* percent in 1987, \* \* \* percent in 1988, and \* \* \* percent during January-June 1989. The unit value of domestic shipments of unspecified industrial nitrocellulose were significantly lower than the unit values of types RS, AS, and SS industrial nitrocellulose.

Exports of domestically-produced industrial nitrocellulose jumped \* \* \* percent from 1986 to 1987 and then declined \* \* \* percent from 1987 to 1988. Exports of industrial nitrocellulose declined \* \* \* percent during January-June 1989 compared with exports during January-June 1988. Principal export markets were \* \* \*.

Shipment data for explosive nitrocellulose are presented in table 4.

Table 3

Industrial nitrocellulose: Shipments of U.S. producer, by types, 1986-88,  
January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June--	
				1988	1989
	Quantity (1,000 wet pounds)				
Intracompany and inter-company transfers:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
All other types.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Domestic market shipments:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
All other types.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Export shipments:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
All other types.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Total shipments.....	***	***	***	***	***
	Value (1,000 dollars)				
Intracompany and inter-company transfers:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
All other types.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Domestic market shipments:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
All other types.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Export shipments:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
All other types.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
Total shipments.....	***	***	***	***	***

Table continued on next page.

Table 3--Continued

Industrial nitrocellulose: Shipments of U.S. producer, by types, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June--	
				1988	1989
	Unit value (per wet pound)				
Intracompany and inter-company transfers:					
RS-type.....	\$***	\$***	\$***	\$***	\$***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
All other.....	***	***	***	***	***
Average.....	***	***	***	***	***
Domestic market shipments:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
All other types.....	***	***	***	***	***
Average.....	***	***	***	***	***
Export shipments:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
All other types.....	***	***	***	***	***
Average.....	***	***	***	***	***
Overall average.....	***	***	***	***	***

Note.--Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

#### U.S. producer's inventories

Hercules' end-of-period inventories of nitrocellulose are presented in table 5. Inventories of industrial nitrocellulose increased from \* \* \* percent of domestic shipments in 1986 to \* \* \* percent in 1987 and \* \* \* percent in 1988. Inventories at the end of June 1989 decreased to \* \* \* percent from \* \* \* percent at the end of June 1988. Inventories of unspecified types of industrial nitrocellulose reached unusually high levels at the end of 1988 before being substantially reduced as of June 30, 1989.



Table 4

Explosive nitrocellulose: Shipments of U.S. producer, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June-- 1988	1989
<u>Quantity (1,000 wet pounds)</u>					
Intracompany and inter-company transfers.....	***	***	***	***	***
Domestic market shipments.....	***	***	***	***	***
Export shipments.....	***	***	***	***	***
Total shipments.....	***	***	***	***	***
<u>Value (1,000 dollars)</u>					
Intracompany and inter-company transfers <sup>1</sup> .....	***	***	***	***	***
Domestic market shipments.....	***	***	***	***	***
Export shipments.....	***	***	***	***	***
Total shipments.....	***	***	***	***	***
<u>Unit value (per wet pound)</u>					
Intracompany and inter-company transfers.....	\$***	\$***	\$***	\$***	\$***
Domestic market shipments.....	***	***	***	***	***
Export shipments.....	***	***	***	***	***
Average.....	***	***	***	***	***

<sup>1</sup> \* \* \* .

Note.--Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 5

Nitrocellulose: U.S. producer's inventories, by types, December 31, 1985-88, June 30, 1988, and June 30, 1989

(In thousands of wet pounds, except as noted)						
Item	December 31--				June 30--	
	1985	1986	1987	1988	1988	1989
Industrial nitrocellulose:						
RS-type.....	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***
All other types.....	***	***	***	***	***	***
Total.....	***	***	***	***	***	***
Explosive nitrocellulose..	***	***	***	***	***	***
Share of producer's domestic shipments during the preceding period: <sup>1</sup>						
Industrial nitrocellulose:						
RS-type (percent).....	( <sup>2</sup> )	***	***	***	3***	3***
AS-type (percent).....	( <sup>2</sup> )	***	***	***	3***	3***
SS-type (percent).....	( <sup>2</sup> )	***	***	***	3***	3***
All other types (percent).....	( <sup>2</sup> )	***	***	***	3***	3***
Average (percent).	( <sup>2</sup> )	***	***	***	3***	3***
Explosive nitro- cellulose (percent)...	( <sup>2</sup> )	***	***	***	3***	3***

<sup>1</sup> Total domestic shipments (company transfers and merchant market shipments).

<sup>2</sup> Not available.

<sup>3</sup> Based on annualized shipment data.

Note.--Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

#### Employment and wages

Employment and wage data are reported in table 6. The number of workers reported as producing industrial nitrocellulose declined from 1986 to 1987 and from 1987 to 1988. The number of such workers fell \* \* \* percent during January-June 1989 compared with the number of such workers during January-June 1988. Hours worked producing industrial nitrocellulose dropped from 1986 to 1987 and from 1987 to 1988. Hours worked producing industrial nitrocellulose declined by \* \* \* percent during January-June 1989 when compared with hours worked during January-June 1988. Wages paid to workers producing industrial nitrocellulose increased from 1986 to 1987 and remained constant from 1987 to 1988. Wages paid to such workers fell \* \* \* percent during January-June 1989 when compared with wages paid during January-June 1988. Productivity for industrial nitrocellulose, measured as wet pounds per hour, increased from 1986 to 1987 and then decreased from 1987 to 1988 (table 6). Productivity was lower during January-June 1989 than productivity during January-June 1988.

Table 6

Average number of employees in U.S. nitrocellulose plant; total and production and related workers producing all products, those producing industrial nitrocellulose, and those producing explosive nitrocellulose; hours worked by and wages, total compensation, and average hourly wages paid to such workers, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June--	
				1988	1989
Average number of employees.....	***	***	***	***	***
Production and related workers producing--					
All products.....	***	***	***	***	***
Industrial nitrocellulose.....	***	***	***	***	***
Explosive nitrocellulose.....	***	***	***	***	***
Hours worked by production and related workers producing--					
All products (1,000 hours).....	***	***	***	***	***
Industrial nitrocellulose (1,000 hours).....	***	***	***	***	***
Explosive nitrocellulose (1,000 hours).....	***	***	***	***	***
Wages paid to production and related workers producing--					
All products (1,000 dollars)...	***	***	***	***	***
Industrial nitrocellulose (1,000 dollars).....	***	***	***	***	***
Explosive nitrocellulose (1,000 dollars).....	***	***	***	***	***
Total compensation paid to production and related workers producing:					
All products (1,000 dollars)...	***	***	***	***	***
Industrial nitrocellulose (1,000 dollars).....	***	***	***	***	***
Explosive nitrocellulose (1,000 dollars).....	***	***	***	***	***
Average hourly wages paid to production and related workers producing:					
All products.....	\$***	\$***	\$***	\$***	\$***
Industrial nitrocellulose.....	***	***	***	***	***
Explosive nitrocellulose.....	***	***	***	***	***
Productivity:					
Industrial nitrocellulose (wet pounds per hour).....	***	***	***	***	***
Explosive nitrocellulose (wet pounds per hour).....	***	***	***	***	***

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

### Financial experience of Hercules Incorporated

Hercules Incorporated, the only U.S. producer of industrial nitrocellulose, provided the Commission with financial information. These data are presented in this section.

Industrial nitrocellulose.--Income-and-loss data on Hercules' U.S. industrial nitrocellulose operations are presented in table 7. Net sales of industrial nitrocellulose declined by \* \* \* percent from \$\* \* \* million in 1986 to \$\* \* \* million in 1987, primarily as a result of decreased average selling prices, which declined from \$\* \* \* per wet pound to \$\* \* \* per wet pound in the same period. During the same period, the quantity of sales in wet pounds increased by about \* \* \* percent from \* \* \* million to \* \* \* million. In 1988, net sales rose to \$\* \* \* million, or by \* \* \* percent from the level of sales in 1987, because the average selling price increased to \$\* \* \* per wet pound. Net 1988 sales in terms of wet pounds declined to \* \* \* million, or by \* \* \* percent from 1987 sales. During January-June 1989, the net sales value rose by \* \* \* percent as the average selling price increased by \* \* \* percent whereas the volume of sales in terms of wet pounds dropped by \* \* \* percent, compared with the respective data in the corresponding period of 1988.

Hercules provided data separately for the first and second quarters of 1989 and the Commission requested such data for the comparable two quarters of 1988; these data are presented in table 8. Hercules made a note in its submission of data for the first and second quarters of 1989, as follows:  
" \* \* \* ."

Hercules sustained operating losses on its industrial nitrocellulose operations in 1986 and 1987. In 1987, such losses increased more than \* \* \* to \$\* \* \* or \* \* \* percent of net sales, compared with an operating loss of \$\* \* \*, or \* \* \* percent of net sales in 1986. The primary reason for the large increase in operating losses in 1987 was the drop in average selling price because, per wet pound, cost of goods sold remained about the same in spite of the increased cost of the major raw material, wood pulp, by \$\* \* \* per pound; selling, general, and administrative (SG&A) expenses declined slightly. Income-and-loss data per wet pound during the period of investigation are shown in the following tabulation:

<u>Item</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>January-June</u>	
				<u>1988</u>	<u>1989</u>
Net sales.....	\$***	\$***	\$***	\$***	\$***
Cost of goods sold:					
Raw materials.....	***	***	***	***	***
Direct labor.....	***	***	***	***	***
Other factory costs.....	***	***	***	***	***
Total.....	***	***	***	***	***
Gross profit.....	***	***	***	***	***
SG&A expenses.....	***	***	***	***	***
Operating income (loss)....	***	***	***	***	***
Interest expense.....	***	***	***	***	***
Pre-tax net income (loss)..	***	***	***	***	***

Note.--Because of rounding, figures may not add to totals shown.

Table 7

Income-and-loss experience of Hercules, Inc., on its industrial nitrocellulose operations, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June--	
				1988	1989
Value (1,000 dollars)					
Net sales.....	***	***	***	***	***
Cost of goods sold.....	***	***	***	***	***
Gross profit.....	***	***	***	***	***
Selling, general, and administrative expenses...	***	***	***	***	***
Operating income (loss).....	***	***	***	***	***
Interest expense.....	***	***	***	***	***
Net income (loss) before income taxes.....	***	***	***	***	***
Depreciation and amorti- zation included above.....	***	***	***	***	***
Cash flow <sup>1</sup> .....	***	***	***	***	***
Share of net sales (percent)					
Cost of goods sold.....	***	***	***	***	***
Gross profit.....	***	***	***	***	***
General, selling, and administrative expenses...	***	***	***	***	***
Operating income (loss).....	***	***	***	***	***
Net income (loss) before income taxes.....	***	***	***	***	***

<sup>1</sup> Cash flow is defined as net income or loss plus depreciation and amortization.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 8

Income-and-loss experience of Hercules, Inc., on its industrial nitrocellulose operations during the first and the second quarters of 1988-89

Item	1988 quarters		1989 quarters	
	1st	2nd	1st	2nd
Quantity of sales (1,000 wet pounds).....	***	***	***	***
Average selling price (per wet pound).....	\$***	\$***	\$***	\$***
Value (1,000 dollars)				
Net sales.....	***	***	***	***
Cost of goods sold.....	***	***	***	***
Gross profit.....	***	***	***	***
Selling, general, and administrative expenses.....	***	***	***	***
Operating income (loss).....	***	***	***	***
Share of net sales (percent)				
Cost of goods sold.....	***	***	***	***
Gross profit.....	***	***	***	***
Selling, general, and administrative expenses.....	***	***	***	***
Operating income (loss).....	***	***	***	***

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Data on the cost of wood pulp, a major raw material used in the production of nitrocellulose, purchased by Hercules are presented in the following tabulation:

<u>Item</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>January-June</u>	
				<u>1988</u>	<u>1989</u>
Quantity (1,000 lbs).....	***	***	***	***	***
Value (1,000 dollars).....	***	***	***	***	***
Average cost per pound....	\$***	\$***	\$***	\$***	\$***

In 1988, Hercules reported operating income of \$\* \* \*, or \* \* \* percent of net sales. Per wet pound, the average selling price increased by \$\* \* \*, whereas the cost of sales rose by \$\* \* \* and SG&A expenses remained almost the same as in 1987, thus turning the operating losses into a small operating income margin in 1988.

During January-June 1989, operating income improved to \$\* \* \*, or \* \* \* percent of net sales, compared with operating income of \$\* \* \*, or \* \* \* percent of net sales, in the corresponding period of 1988. In January-June 1989, compared with the like period of 1988, the average selling price per wet pound increased by \$\* \* \*, while the net cost of goods sold rose by \$\* \* \*.

The increased cost of raw materials of \$\* \* \*, mainly wood pulp, was largely offset by the decline in other factory costs; SG&A expenses climbed by \$\* \* \* mainly due to increased \* \* \*. Pre-tax net income and loss margins followed a similar trend as the operating income and loss margins.

Explosive nitrocellulose.--Income-and-loss data on Hercules' operations on explosive nitrocellulose are presented in table 9. \* \* \*. Net sales declined by \* \* \* percent in 1987 from 1986, rose by \* \* \* percent in 1988, and increased by \* \* \* percent during January-June 1989 over the comparable period in 1988. Operating income margins declined from \* \* \* percent in 1986 to \* \* \* percent in 1987 and then increased to \* \* \* percent in 1988. Such margins rose to \* \* \* percent in January-June 1989, compared with an operating income margin of \* \* \* percent in January-June 1988.

Overall establishment operations.--Income-and-loss data on the overall establishment operations of Hercules are presented in table 10. Net sales increased by \* \* \* percent during 1986-88 and by \* \* \* percent from interim 1988 to interim 1989. Operating income margins declined from \* \* \* percent in 1986 to \* \* \* percent in 1987 and then rose to \* \* \* percent in 1988. Such margins fell to \* \* \* percent in January-June 1989, compared with \* \* \* percent in the corresponding period of 1988.

Investment in productive facilities.--The value of property, plant, and equipment and total assets for Hercules are shown in table 11. The return on book value of fixed assets and the return on total assets are also presented in table 11. The return on assets on the basis of each of the two methods of valuation followed the same trend as did the ratio of operating income to net sales.

Table 9

Income-and-loss experience of Hercules, Inc., on its explosive nitrocellulose operations, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June--	
				1988	1989
Value (1,000 dollars)					
Net sales.....	***	***	***	***	***
Cost of goods sold.....	***	***	***	***	***
Gross profit.....	***	***	***	***	***
General, selling, and administrative expenses...	***	***	***	***	***
Operating income.....	***	***	***	***	***
Interest expense.....	***	***	***	***	***
Net income before income taxes.....	***	***	***	***	***
Depreciation and amorti- zation included above.....	***	***	***	***	***
Cash flow <sup>1</sup> .....	***	***	***	***	***
Per wet pound					
Net sales.....	\$***	\$***	\$***	\$***	\$***
Cost of goods sold.....	***	***	***	***	***
Gross profit.....	***	***	***	***	***
General, selling, and administrative expenses...	***	***	***	***	***
Operating income.....	***	***	***	***	***
Net income before income taxes.....	***	***	***	***	***
Share of net sales (percent)					
Cost of goods sold.....	***	***	***	***	***
Gross profit.....	***	***	***	***	***
General, selling, and administrative expenses...	***	***	***	***	***
Operating income.....	***	***	***	***	***
Net income before income taxes.....	***	***	***	***	***

<sup>1</sup> Cash flow is defined as net income or loss plus depreciation and amortization.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.



Table 10

Income-and-loss experience of Hercules, Inc., on the overall operations of its establishment within which nitrocellulose is produced, 1986-88, January-June 1988, and January-June 1989

	January-June--				
Item	1986	1987	1988	1988	1989
	Value (1,000 dollars)				
Net sales.....	***	***	***	***	***
Cost of goods sold.....	***	***	***	***	***
Gross profit.....	***	***	***	***	***
General, selling, and administrative expenses...	***	***	***	***	***
Operating income.....	***	***	***	***	***
Interest expense.....	***	***	***	***	***
Other income, net.....	***	***	***	***	***
Net income before income taxes.....	***	***	***	***	***
Depreciation and amorti- zation included above.....	***	***	***	***	***
Cash flow <sup>1</sup> .....	***	***	***	***	***
	Share of net sales (percent)				
Cost of goods sold.....	***	***	***	***	***
Gross profit.....	***	***	***	***	***
General, selling, and administrative expenses...	***	***	***	***	***
Operating income.....	***	***	***	***	***
Net income before income taxes.....	***	***	***	***	***

<sup>1</sup> Cash flow is defined as net income or loss plus depreciation and amortization.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 11

Nitrocellulose: Value of property, plant, and equipment of Hercules, Inc., 1986-88, January-June 1988, and January-June 1989

Item	As of end of accounting year--			As of June 30--	
	1986	1987	1988	1988	1989
Value (1,000 dollars)					
All products of establishments:					
Fixed assets:					
Original cost.....	***	***	***	***	***
Book value.....	***	***	***	***	***
Total assets <sup>1</sup> .....	***	***	***	***	***
Industrial nitrocellulose:					
Fixed assets:					
Original cost.....	***	***	***	***	***
Book value.....	***	***	***	***	***
Total assets <sup>1</sup> .....	***	***	***	***	***
Explosive nitrocellulose:					
Fixed assets:					
Original cost.....	***	***	***	***	***
Book value.....	***	***	***	***	***
Total assets <sup>1</sup> .....	***	***	***	***	***
Return on book value of fixed assets (percent)					
All products of establishments:					
Operating return <sup>2</sup> .....	***	***	***	***	***
Net return <sup>3</sup> .....	***	***	***	***	***
Industrial nitrocellulose:					
Operating return <sup>2</sup> .....	***	***	***	***	***
Net return <sup>3</sup> .....	***	***	***	***	***
Explosive nitrocellulose:					
Operating return <sup>2</sup> .....	***	***	***	***	***
Net return <sup>3</sup> .....	***	***	***	***	***
Return on total assets (percent)					
All products of establishments:					
Operating return <sup>2</sup> .....	***	***	***	***	***
Net return <sup>3</sup> .....	***	***	***	***	***
Industrial nitrocellulose:					
Operating return <sup>2</sup> .....	***	***	***	***	***
Net return <sup>3</sup> .....	***	***	***	***	***
Explosive nitrocellulose:					
Operating return <sup>2</sup> .....	***	***	***	***	***
Net return <sup>3</sup> .....	***	***	***	***	***

<sup>1</sup> Includes book value of fixed assets plus finished goods inventory and accounts receivable.

<sup>2</sup> Defined as operating income or loss divided by asset value.

<sup>3</sup> Defined as net income or loss divided by asset value.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Capital expenditures.--The capital expenditures reported by Hercules are presented in table 12.

Table 12

Nitrocellulose: Capital expenditures by Hercules, Inc., 1986-88, January-June 1988, and January-June 1989

(In thousands of dollars)					
Item	1986	1987	1988	January-June-- 1988	1989
All products of establish- ments:					
Land and land improve- ments.....	***	***	***	***	***
Building and leasehold improvements.....	***	***	***	***	***
Machinery, equipment, and fixtures.....	***	***	***	***	***
Total.....	***	***	***	***	***
Industrial nitrocellulose:					
Land and land improve- ments.....	***	***	***	***	***
Building and leasehold improvements.....	***	***	***	***	***
Machinery, equipment, and fixtures.....	***	***	***	***	***
Total.....	***	***	***	***	***
Explosive nitrocellulose:					
Land and land improve- ments.....	***	***	***	***	***
Building and leasehold improvements.....	***	***	***	***	***
Machinery, equipment, and fixtures.....	***	***	***	***	***
Total.....	***	***	***	***	***

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Research and development expenses.--Research and development expenses of Hercules are presented in the following tabulation (in thousands of dollars):

Item	1986	1987	1988	January-June-- 1988	1989
All products of establish- ments.....	***	***	***	***	***
Industrial nitrocellulose...	***	***	***	***	***
Explosive nitrocellulose....	***	***	***	***	***

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Capital and investment.--The Commission requested Hercules to describe any actual or potential negative effects of imports of nitrocellulose from the subject countries on its existing development and production efforts, growth, investment, and ability to raise capital. Its response is shown in appendix C.

Consideration of the Question of  
Threat of Material Injury

Section 771(7)(F)(i) of the Tariff Act of 1930 (19 U.S.C. §

1677(7)(F)(i)) provides that--

In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of any merchandise, the Commission shall consider, among other relevant factors <sup>20</sup>--

(I) If a subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the subsidy is an export subsidy inconsistent with the Agreement),

(II) any increase in production capacity or existing unused capacity in the exporting country likely to result in a significant increase in imports of the merchandise to the United States,

(III) any rapid increase in United States market penetration and the likelihood that the penetration will increase to an injurious level,

(IV) the probability that imports of the merchandise will enter the United States at prices that will have a depressing or suppressing effect on domestic prices of the merchandise,

(V) any substantial increase in inventories of the merchandise in the United States,

(VI) the presence of underutilized capacity for producing the merchandise in the exporting country,

---

<sup>20</sup> Section 771(7)(F)(ii) of the act (19 U.S.C. § 1677(7)(F)(ii)) provides that "Any determination by the Commission under this title that an industry in the United States is threatened with material injury shall be made on the basis of evidence that the threat of material injury is real and that actual injury is imminent. Such a determination may not be made on the basis of mere conjecture or supposition."

(VII) any other demonstrable adverse trends that indicate the probability that the importation (or sale for importation) of the merchandise (whether or not it is actually being imported at the time) will be the cause of actual injury,

(VIII) the potential for product-shifting if production facilities owned or controlled by the foreign manufacturers, which can be used to produce products subject to investigation(s) under section 701 or 731 or to final orders under section 736, are also used to produce the merchandise under investigation,

(IX) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both), and

(X) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the like product.<sup>21</sup>

No subsidies were alleged in these cases; information on the volume, U.S. market penetration, and pricing of imports of the subject merchandise (items (III) and (IV) above) is presented in the section entitled "Consideration of the causal relationship between imports of the subject merchandise and the alleged material injury;" and information on the effects of imports of the subject merchandise on the U.S. producer's existing development and production efforts (item (X)) is presented in the section entitled "Consideration of alleged material injury." Available information on U.S. inventories of the subject products (item (V)); foreign producers' operations, including the potential for "product-shifting" (items (II), (VI), (VIII) and (IX) above); any other threat indicators, if applicable (item (VII) above); and any dumping in third-country markets, follows.

---

<sup>21</sup> Section 771(7)(F)(iii) of the act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other GATT member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

U.S. importers' inventories

U.S. importers' inventories are not very meaningful in these investigations because many shipments are made directly from the foreign producers' plants to U.S. customers. Further, some of the U.S. importers that do maintain inventories combined records of inventories of foreign industrial nitrocellulose from several sources along with domestic industrial nitrocellulose. Such importers were unable to determine inventories by country of origin and therefore did not report inventories. The data collected on U.S. importers' end-of-period inventories of industrial nitrocellulose from the U.S. importers that reported inventory data are presented in table 13 for all types of industrial nitrocellulose combined. As shown in table 13, inventories of imported industrial nitrocellulose almost doubled from the end of 1986 to the end of 1987, decreased from the end of 1987 to the end of 1988, and were higher at the end of June 1989 than at the end of June 1988.

End-of-period inventories of industrial nitrocellulose imported from Brazil, Japan, the PRC, Korea, the United Kingdom, West Germany, and Yugoslavia amounted to 6.6 percent of total imports of industrial nitrocellulose from those countries in 1986, 8.6 percent in 1987, 6.8 percent in 1988, and 14.7 percent for January-June 1989.

Table 13

Industrial nitrocellulose: U.S. importers' end-of-period inventories, by principal countries, Dec. 31, 1986-88, June 30, 1988, and June 30, 1989

(In thousands of wet pounds)					
Country of origin	Dec. 31--			June 30--	
	1986	1987	1988	1988	1989
Brazil.....	***	***	***	***	***
Japan.....	***	***	***	***	***
People's Republic of China.....	***	***	***	***	***
Republic of Korea.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Yugoslavia.....	***	***	***	***	***
Total.....	803	1,527	1,424	1,573	1,735

Note.--Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Capacity of foreign producers to increase exports

The Commission requested counsel for the respondents in the investigations to provide information on the foreign producers of nitrocellulose. The information requested consisted of the number and names of producing firms; production, capacity, capacity utilization, home-market shipments, exports to the United States, and total exports, for each of the periods covered by the investigations; projected changes in production, capacity, or capacity utilization in 1989; and intentions or projections as to the quantity of exports of the subject industrial nitrocellulose to the United States in 1990. Data received from respondents' counsel for several countries' nitrocellulose industries are presented in the following sections, by country.

Brazil.--There is one nitrocellulose producer in Brazil, Companhia Nitro Quimica Brasileira, Sao Paulo, Brazil. Data received from counsel for that producer are presented in table 14. As can be seen in table 14, the Brazilian producer of industrial nitrocellulose \* \* \*.

\* \* \*. <sup>22</sup> However, Brazil is in the process of substantially expanding its existing capacity and \* \* \*. Brazil's principal export markets in 1988 were \* \* \*.

Japan.--There are two producers of industrial nitrocellulose in Japan, Asahi Chemical Co. Ltd., whose data are presented in table 15, and Diacel Chemical Industries Ltd., whose data are presented in table 16. As can be seen from these tables, \* \* \*. According to public information on the record, Asahi experienced a disruption of its production in 1988 because of a fire; \* \* \*. Asahi's principal export markets in 1988 were \* \* \*.

People's Republic of China.--A limited amount of information was received from counsel on behalf of China North Industries, a firm that handles exports for some of the five Chinese producers of industrial nitrocellulose (table 17). \* \* \*.

Republic of Korea.--The petition alleges that there are two producers of industrial nitrocellulose in Korea, Poongsan Metal and Miwon Commercial Co. Ltd.; <sup>23</sup> however, the firms did not retain counsel to represent their interests before the Commission. Information about the Korean nitrocellulose industry was requested through diplomatic channels and some information has been received. According to information received through the American Embassy, \* \* \*. Korean Government regulations prohibit \* \* \* releasing information on production and capacity. \* \* \*. Available data for Miwon are presented in table 18. In 1988, Korea reportedly imported 6.9 million pounds of nitrocellulose, which was much more than was exported.

---

<sup>22</sup> \* \* \*.

<sup>23</sup> Petition, p. 12.

Table 14

Industrial nitrocellulose: Companhia Nitro Quimica Brasileira's capacity, production by type, capacity utilization, shipments, and inventories

Quantity (in thousands of wet pounds, except as noted)							
Item	Actual experience			January-June--		Projections	
	1986	1987	1988	1988	1989	1989	1990
Production capacity.....	***	***	***	***	***	***	***
Production:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Capacity utilization (percent).....	***	***	***	***	***	***	***
Shipments:							
Home market.....	***	***	***	***	***	***	***
Exports to--							
United States.....	***	***	***	***	***	***	***
All other export markets.....	***	***	***	***	***	***	***
Total exports....	***	***	***	***	***	***	***
Total shipments.....	***	***	***	***	***	***	***
End-of-period inventories.....	***	***	***	***	***	***	***

Source: Submitted by respondent's counsel in response to a Commission request.

Table 15

Industrial nitrocellulose: Asahi Chemical Company Ltd.'s capacity, production by type, capacity utilization, shipments, and inventories

Quantity (in thousands of wet pounds, except as noted)							
Item	Actual experience			January-June--		Projections	
	1986	1987	1988	1988	1989	1989	1990
Production capacity.....	***	***	***	***	***	***	***
Production:							
RS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Other types.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Capacity utilization (percent).....	***	***	***	***	***	***	***
Shipments:							
Home market.....	***	***	***	***	***	***	***
Exports to--							
United States.....	***	***	***	***	***	***	***
All other export markets.....	***	***	***	***	***	***	***
Total exports....	***	***	***	***	***	***	***
Total shipments.....	***	***	***	***	***	***	***
End-of-period inventories.....	***	***	***	***	***	***	***

Source: Submitted by respondent's counsel in response to a Commission request.



Table 16

Industrial nitrocellulose: Diacel Chemical Industries Ltd.'s capacity, production by type, capacity utilization, shipments, and inventories

Quantity (in thousands of wet pounds, except as noted)							
Item	Actual experience					Projections	
	1986	1987	1988	January-June--		1989	1990
				1988	1989		
Production capacity.....	***	***	***	***	***	***	***
Production:							
RS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Other types.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Capacity utilization (percent).....	***	***	***	***	***	***	***
Shipments:							
Home market.....	***	***	***	***	***	***	***
Exports to--							
United States.....	***	***	***	***	***	***	***
All other export markets.....	***	***	***	***	***	***	***
Total exports....	***	***	***	***	***	***	***
Total shipments.....	***	***	***	***	***	***	***
End-of-period inventories.....	***	***	***	***	***	***	***

Source: Submitted by respondent's counsel in response to a Commission request.

Table 17

Industrial nitrocellulose: People's Republic of China capacity, production, capacity utilization, and shipments

Quantity (in thousands of wet pounds, except as noted)							
Item	Actual experience					Projections	
	1986	1987	1988	January-June--		1989	1990
				1988	1989		
Production capacity.....	***	***	***	***	***	***	***
Production.....	***	***	***	***	***	***	***
Capacity utilization (percent).....	***	***	***	***	***	***	***
Shipments:							
Home market.....	***	***	***	***	***	***	***
Exports to--							
United States.....	***	***	***	***	***	***	***
All other export markets.....	***	***	***	***	***	***	***
Total exports....	***	***	***	***	***	***	***
Total shipments.....	***	***	***	***	***	***	***
End-of-period inventories.....	***	***	***	***	***	***	***

Source: Submitted by respondent's counsel in response to a Commission request.

Table 18

Industrial nitrocellulose: Miwon Commercial Co. Ltd.'s capacity, production, capacity utilization, shipments, and inventories

Quantity (in thousands of wet pounds, except as noted)							
Item	Actual experience			January-June--		Projections	
	1986	1987	1988	1988	1989	1989	1990
Production capacity.....	***	***	***	***	***	***	***
Production.....	***	***	***	***	***	***	***
Capacity utilization (percent).....	***	***	***	***	***	***	***
Shipments:							
Home market.....	***	***	***	***	***	***	***
Exports to--							
United States.....	***	***	***	***	***	***	***
All other export markets.....	***	***	***	***	***	***	***
Total exports.....	***	***	***	***	***	***	***
Total shipments.....	***	***	***	***	***	***	***
End-of-period inventories.....	***	***	***	***	***	***	***

Source: U.S. Department of State.

United Kingdom.--Imperial Chemical Industries PLC's (ICI) plant for the production of industrial nitrocellulose is located in Ardeer, Scotland. Data received from counsel for ICI are presented in table 19. As shown in table 19, ICI's capacity to produce industrial nitrocellulose increased \* \* \* percent from 1986 to 1988, and capacity is scheduled to increase another \* \* \* percent by 1990. \* \* \* of ICI's production is exported, with the United States accounting for \* \* \* percent of total exports in 1988 and \* \* \* percent of total production in that year. Other export markets for ICI are \* \* \*, but exports to those countries are small compared with exports to the \* \* \*. ICI did not provide data by type of nitrocellulose (RS, AS, SS, or other).

West Germany.--There are two West German producers of industrial nitrocellulose, Wolff Walsrode AG and Hagedorn. Counsel for Wolff Walsrode provided a very thorough and comprehensive response to the Commission's request for information and the data are presented in table 20. As shown in table 20, \* \* \*. It is also clear that Wolff is a very large exporter of nitrocellulose, with exports accounting for \* \* \* percent of 1988 production. Wolff also provided detailed information on the types of industrial nitrocellulose produced. \* \* \*. \* \* \*. Further, counsel for Wolff provided the Commission with detailed information about how much of each type of industrial nitrocellulose (RS, AS, SS, and other) was produced in plasticized "chips" and how much was produced wet with alcohol. In summary, \* \* \* percent of Wolff's 1986 production was plasticized industrial nitrocellulose, \* \* \* percent of 1987 production was plasticized, and \* \* \* percent of 1988 production was plasticized. Of Wolff's January-June 1989 production, \* \* \* percent was plasticized.

Hagedorn has not retained counsel; however, a letter was received from the firm indicating that Hagedorn \* \* \*. \* \* \*. \* \* \*.

Table 19  
Industrial nitrocellulose: Imperial Chemical Industries PLC's capacity, production, capacity utilization, shipments, and inventories

Quantity (in thousands of wet pounds, except as noted)							
Item	Actual experience			January-June--		Projections	
	1986	1987	1988	1988	1989	1989	1990
Production capacity.....	***	***	***	***	***	***	***
Production.....	***	***	***	***	***	***	***
Capacity utilization (percent).....	***	***	***	***	***	***	***
Shipments:							
Home market.....	***	***	***	***	***	***	***
Exports to--							
United States.....	***	***	***	***	***	***	***
All other export markets.....	***	***	***	***	***	***	***
Total exports....	***	***	***	***	***	***	***
Total shipments.....	***	***	***	***	***	***	***
End-of-period inventories.....	***	***	***	***	***	***	***

Source: Submitted by respondent's counsel in response to a Commission request.

Table 20  
Industrial nitrocellulose: Wolff Walsrode AG's capacity, production by type, capacity utilization, shipments, and inventories

Quantity (in thousands of wet pounds, except as noted)							
Item	Actual experience			January-June--		Projections	
	1986	1987	1988	1988	1989	1989	1990
Production capacity.....	***	***	***	***	***	***	***
Production:							
RS-type.....	***	***	***	***	***	***	***
AS-type.....	***	***	***	***	***	***	***
SS-type.....	***	***	***	***	***	***	***
Other types.....	***	***	***	***	***	***	***
Total.....	***	***	***	***	***	***	***
Capacity utilization (percent).....	***	***	***	***	***	***	***
Shipments:							
Home market.....	***	***	***	***	***	***	***
Exports to--							
United States.....	***	***	***	***	***	***	***
All other export markets.....	***	***	***	***	***	***	***
Total exports....	***	***	***	***	***	***	***
Total shipments.....	***	***	***	***	***	***	***
End-of-period inventories.....	***	***	***	***	***	***	***

Source: Submitted by respondent's counsel in response to a Commission request.

Yugoslavia.--Milan Blagojevic is the only producer of nitrocellulose in Yugoslavia. Counsel for the firm provided a response to the Commission's request for data on that producer's operations in counsel's postconference brief. The data provided by counsel are presented in table 21. Principal export markets, \* \* \*.

Table 21

Industrial nitrocellulose: Milan Blagojevic's production and shipments

Quantity (in thousands of wet pounds, except as noted)							
Item	Actual experience			January-June--		Projections	
	1986	1987	1988	1988	1989	1989	1990
Production capacity.....	***	***	***	***	***	***	***
Production <sup>1</sup> .....	***	***	***	***	***	***	***
Capacity utilization (percent).....	***	***	***	***	***	***	***
Shipments:							
Home market.....	***	***	***	***	***	***	***
Exports to--							
United States.....	***	***	***	***	***	***	***
All other export markets.....	***	***	***	***	***	***	***
Total exports....	***	***	***	***	***	***	***
Total shipments.....	***	***	***	***	***	***	***
End-of-period inventories.....	***	***	***	***	***	***	***

<sup>1</sup> No capacity or inventory data were provided; therefore, all production was assumed to have been shipped to the home market or exported.

Source: Submitted by respondent's counsel in response to a Commission request.

Consideration of the Causal Relationship Between Imports of the  
Subject Merchandise and the Alleged Material Injury

U.S. imports

Official statistics <sup>24</sup> of the U.S. Department of Commerce are presented in table 22. Official U.S. import statistics include, as noted in the petition, imports of explosive nitrocellulose and, for TSUS item 445.25, may include imports of synthetic cellulose plastic materials other than cellulose acetate. The petitioner claims that, rather than overstating imports of nitrocellulose, official import statistics understate imports, especially for 1988 and 1989. This claim is supported by the responses to the Commission's importers' questionnaire. The reason for the differences in the data sets is not known at present.

Imports of industrial nitrocellulose from the seven countries subject to these investigations, as reported in response to the Commission's questionnaires, are presented in table 23. As can be seen from the data in table 23, most imports of industrial nitrocellulose are of the RS-type. Imports of RS-type industrial nitrocellulose accounted for \* \* \* percent, based on quantity, in 1986 of all imports of industrial nitrocellulose from Brazil, Japan, the PRC, Korea, the United Kingdom, West Germany, and Yugoslavia, and accounted for \* \* \* percent of such imports in 1987, \* \* \* percent in 1988, and \* \* \* percent during January-June 1989.

The data for industrial nitrocellulose in table 23 for the seven countries subject to these investigations are combined with data for other countries from table 22 into table 24. The data in table 24 are believed to be the best available information, at this time, for U.S. imports of industrial nitrocellulose.

As shown in table 24, imports of industrial nitrocellulose from the seven countries subject to these investigations increased sharply, by 47.0 percent based on quantity, from 1986 to 1987 and then jumped by 17.8 percent from 1987 to 1988. Imports from the seven countries increased by 12.0 percent during January-June 1989 when compared with imports from those countries during January-June 1988. In 1988, imports from the countries subject to these investigations accounted for 92.6 percent of total imports, based on quantity.

---

<sup>24</sup> Official statistics of the U.S. Department of Commerce presented here are for TSUS item 445.25 for 1986-88 and January-June 1988, and for HTS subheading 3912.20.00 for January-June 1989.

Table 22

Nitrocellulose:<sup>1</sup> U.S. imports for consumption, by principal countries, 1986-88, January-June 1988, and January-June 1989

Source	1986	1987	1988	January-June-- 1988	1989
Quantity (1,000 wet pounds)					
Brazil.....	289	331	1,215	518	517
Japan.....	2,220	2,580	808	522	403
People's Republic of China.....	918	1,523	529	334	327
Republic of Korea.....	0	107	71	71	263
United Kingdom.....	3,025	4,594	5,243	2,601	1,666
West Germany.....	2,621	2,445	2,307	1,380	2,667
Yugoslavia.....	1,496	1,665	2,341	893	823
Subtotal.....	10,569	13,244	12,514	6,318	6,665
France.....	2,776	2,295	461	184	201
Subtotal.....	13,345	15,539	12,975	6,503	6,866
All others.....	1,592	2,121	1,229	652	230
Total.....	14,937	17,660	14,204	7,155	7,096
Landed duty-paid value (1,000 dollars)					
Brazil.....	183	229	936	399	428
Japan.....	2,380	2,568	1,023	609	447
People's Republic of China.....	636	1,091	394	250	308
Republic of Korea.....	0	148	90	90	271
United Kingdom.....	2,701	3,647	4,726	2,364	1,376
West Germany.....	3,616	3,055	2,988	1,716	3,006
Yugoslavia.....	1,643	1,820	2,522	969	953
Subtotal.....	11,158	12,556	12,679	6,397	6,790
France.....	3,613	3,089	625	260	260
Subtotal.....	14,770	15,645	13,305	6,657	7,051
All others.....	1,041	1,538	1,063	591	263
Total.....	15,811	17,184	14,367	7,247	7,313
Unit value (per wet pound)					
Brazil.....	\$0.63	\$0.69	\$0.77	\$0.77	\$0.83
Japan.....	1.07	1.00	1.27	1.17	1.11
People's Republic of China.....	.69	.72	.75	.75	.94
Republic of Korea.....	( <sup>2</sup> )	1.38	1.28	1.28	
United Kingdom.....	.89	.79	.90	.91	.83
West Germany.....	1.38	1.25	1.30	1.24	1.13
Yugoslavia.....	1.10	1.09	1.08	1.09	1.16
Subtotal.....	1.06	.95	1.01	1.01	1.02
France.....	1.30	1.35	1.36	1.41	1.30
Subtotal.....	1.11	1.01	1.03	1.02	1.03
All others.....	.65	.73	.86	.91	1.14
Total.....	1.06	.97	1.01	1.01	1.03

<sup>1</sup> Imports reported under TSUS 445.25 for 1986-88 and January-June 1988 may be overstated because of the inclusion of merchandise other than nitrocellulose.

<sup>2</sup> Not applicable.

Note.--Because of rounding, figures may not add to the totals shown.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 23

Nitrocellulose: U.S. imports for consumption, by types and by countries subject to these investigations, 1986-88, January-June 1988, and January-June 1989

Source	1986	1987	1988	January-June--	
				1988	1989
Quantity (1,000 wet pounds)					
Brazil:					
Industrial nitro-cellulose:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
Other types.....	***	***	***	***	***
Total.....	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***
Japan:					
Industrial nitro-cellulose:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
Other types.....	***	***	***	***	***
Total.....	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***
People's Republic of China:					
Industrial nitro-cellulose:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
Other types.....	***	***	***	***	***
Total.....	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***
Republic of Korea:					
Industrial nitro-cellulose:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
Other types.....	***	***	***	***	***
Total.....	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***

Table continued on next page.

Table 23--Continued

Nitrocellulose: U.S. imports for consumption, by types and by countries subject to these investigations, 1986-88, January-June 1988, and January-June 1989

Source	1986	1987	1988	January-June--	
				1988	1989
Quantity (1,000 wet pounds)					
United Kingdom:					
Industrial nitro-cellulose:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
Other types.....	***	***	***	***	***
Total <sup>1</sup> .....	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***
West Germany:					
Industrial nitro-cellulose:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
Other types.....	***	***	***	***	***
Total <sup>2</sup> .....	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***
Yugoslavia					
Industrial nitro-cellulose:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
Other types.....	***	***	***	***	***
Total.....	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***
Seven country total:					
Industrial nitro-cellulose:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
Other types.....	***	***	***	***	***
Total.....	12,139	17,842	21,026	10,558	11,828
Explosive nitro-cellulose.....	***	***	***	***	***

See footnotes at end of table.



Table 23--Continued

Nitrocellulose: U.S. imports for consumption, by types and by countries subject to these investigations, 1986-88, January-June 1988, and January-June 1989

Source	1986	1987	1988	January-June--	
				1988	1989
Value (1,000 dollars)					
Brazil:					
Industrial nitro-cellulose:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
Other types.....	***	***	***	***	***
Total.....	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***
Japan:					
Industrial nitro-cellulose:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
Other types.....	***	***	***	***	***
Total.....	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***
People's Republic of China:					
Industrial nitro-cellulose:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
Other types.....	***	***	***	***	***
Total.....	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***
Republic of Korea:					
Industrial nitro-cellulose:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
Other types.....	***	***	***	***	***
Total.....	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***

See footnotes at end of table.

Table 23--Continued

Nitrocellulose: U.S. imports for consumption, by types and by countries subject to these investigations, 1986-88, January-June 1988, and January-June 1989

Source	1986	1987	1988	January-June--	
				1988	1989
Value (1,000 dollars)					
United Kingdom:					
Industrial nitro-cellulose:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
Other types.....	***	***	***	***	***
Total.....	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***
West Germany:					
Industrial nitro-cellulose:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
Other types.....	***	***	***	***	***
Total.....	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***
Yugoslavia					
Industrial nitro-cellulose:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
Other types.....	***	***	***	***	***
Total.....	***	***	***	***	***
Explosive nitro-cellulose.....	***	***	***	***	***
Seven country total:					
Industrial nitro-cellulose:					
RS-type.....	***	***	***	***	***
AS-type.....	***	***	***	***	***
SS-type.....	***	***	***	***	***
Other types.....	***	***	***	***	***
Total.....	10,899	16,170	20,037	10,094	12,240
Explosive nitro-cellulose.....	***	***	***	***	***

See footnotes on next page.

## Footnotes for table 23

<sup>1</sup> Of the total reported quantity of industrial nitrocellulose imports from the United Kingdom, \* \* \* percent was plasticized in 1986, \* \* \* percent in 1987, and \* \* \* percent in 1988.

<sup>2</sup> Of the total reported quantity of industrial nitrocellulose imports from West Germany, \* \* \* percent was plasticized in 1986, \* \* \* percent in 1987, and \* \* \* percent in 1988.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Market penetration of imports

U.S. imports of industrial nitrocellulose as a share of apparent U.S. consumption are presented in table 25. Based on the data of table 25, imports from the seven countries subject to these investigations captured an increasing share of the market for industrial nitrocellulose during January 1986-June 1989. The ratio of imports to consumption (on the basis of quantity) for the seven countries increased from \* \* \* percent in 1986 to \* \* \* percent in 1987 and \* \* \* percent in 1988. The import penetration ratio for the seven countries increased from \* \* \* percent during January-June 1988 to \* \* \* percent during January-June 1989. Import penetration ratios (on the basis of value) of imports from the seven subject countries exhibited similar trends to the ratios based on quantity.

U.S. apparent consumption of industrial nitrocellulose, in millions of wet pounds, is shown in figure 2, by source of supply (i.e., the U.S. producer's domestic shipments, plus imports from the seven countries subject to these investigations, plus imports from all other countries equal total U.S. consumption).

Figure 2

Industrial nitrocellulose, apparent U.S. consumption by source

\* \* \* \* \*

Table 24

Industrial nitrocellulose: U.S. imports for consumption, by principal countries, 1986-88, January-June 1988, and January-June 1989

Source	1986	1987	1988	January-June--	
				1988	1989
Quantity (1,000 wet pounds)					
Brazil.....	***	***	***	***	***
Japan.....	***	***	***	***	***
People's Republic of China.....	***	***	***	***	***
Republic of Korea.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Yugoslavia.....	***	***	***	***	***
Subtotal.....	12,139	17,842	21,026	10,558	11,828
France.....	2,776	2,295	461	184	201
Subtotal.....	14,915	20,137	21,487	10,742	12,029
All others.....	1,592	2,121	1,229	652	230
Total.....	16,507	22,258	22,716	11,394	12,259
Landed duty-paid value (1,000 dollars)					
Brazil.....	***	***	***	***	***
Japan.....	***	***	***	***	***
People's Republic of China.....	***	***	***	***	***
Republic of Korea.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Yugoslavia.....	***	***	***	***	***
Subtotal.....	10,899	16,170	20,037	10,094	12,240
France.....	3,613	3,089	625	260	260
Subtotal.....	14,512	19,259	20,662	10,354	12,500
All others.....	1,041	1,538	1,063	591	263
Total.....	15,553	20,797	21,725	10,945	12,763
Unit value (per wet pound)					
Brazil.....	\$***	\$***	\$***	\$***	\$***
Japan.....	***	***	***	***	***
People's Republic of China.....	***	***	***	***	***
Republic of Korea.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Yugoslavia.....	***	***	***	***	***
Average.....	.90	.91	.95	.96	1.03
France.....	1.30	1.35	1.36	1.41	1.29
Average.....	.97	.96	.96	.96	1.04
All others.....	.65	.73	.86	.91	1.14
Average.....	.94	.93	.96	.96	1.04

Note.--Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission for Brazil, Japan, the People's Republic of China, the Republic of Korea, the United Kingdom, West Germany, and Yugoslavia, and compiled from official statistics of the U.S. Department of Commerce for France and all other countries.

Table 25

Industrial nitrocellulose: Apparent U.S. consumption, U.S. imports, and ratios of imports to consumption, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June--	
				1988	1989
Quantity (1,000 wet pounds)					
Apparent U.S. consumption.....	***	***	***	***	***
U.S. imports from--					
Brazil.....	***	***	***	***	***
Japan.....	***	***	***	***	***
People's Republic of China.....	***	***	***	***	***
Republic of Korea.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Yugoslavia.....	***	***	***	***	***
Subtotal.....	12,139	17,842	21,026	10,558	11,828
France.....	2,776	2,295	461	184	201
Subtotal.....	14,915	20,137	21,487	10,742	12,029
All other countries...	1,592	2,121	1,229	652	230
Total.....	16,507	22,258	22,716	11,394	12,259
Ratios (percent of quantity)					
To apparent U.S. consumption, of imports from--					
Brazil.....	***	***	***	***	***
Japan.....	***	***	***	***	***
People's Republic of China.....	***	***	***	***	***
Republic of Korea.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Yugoslavia.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
France.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other countries...	***	***	***	***	***
Total.....	***	***	***	***	***

Table continued on next page.

Table 25--Continued

Industrial nitrocellulose: Apparent U.S. consumption, U.S. imports, and ratios of imports to consumption, 1986-88, January-June 1988, and January-June 1989

Item	1986	1987	1988	January-June--	
				1988	1989
Value (1,000 dollars)					
Apparent U.S. consumption.....	***	***	***	***	***
U.S. imports from--					
Brazil.....	***	***	***	***	***
Japan.....	***	***	***	***	***
People's Republic of China.....	***	***	***	***	***
Republic of Korea.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Yugoslavia.....	***	***	***	***	***
Subtotal.....	10,899	16,170	20,037	10,094	12,240
France.....	3,613	3,089	625	260	260
Subtotal.....	14,512	19,259	20,662	10,354	12,500
All other countries...	1,041	1,538	1,063	591	263
Total.....	15,553	20,797	21,725	10,945	12,763
Ratios (percent of value)					
To apparent U.S. consumption, of imports from--					
Brazil.....	***	***	***	***	***
Japan.....	***	***	***	***	***
People's Republic of China.....	***	***	***	***	***
Republic of Korea.....	***	***	***	***	***
United Kingdom.....	***	***	***	***	***
West Germany.....	***	***	***	***	***
Yugoslavia.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
France.....	***	***	***	***	***
Subtotal.....	***	***	***	***	***
All other countries...	***	***	***	***	***
Subtotal.....	***	***	***	***	***

Note.--Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission for Brazil, Japan, the People's Republic of China, the Republic of Korea, the United Kingdom, West Germany, and Yugoslavia, and from official statistics of the U.S. Department of Commerce for France and all other countries.

## Prices

Domestic producers and importers/distributors were requested to provide the quantity, net f.o.b. price per pound, and U.S. shipping costs for each of four representative grades of nitrocellulose, for the largest sale (purchase in the case of end users importing for their own account), quarterly, during the period January 1986-June 1989.<sup>25</sup> RS-type nitrocellulose, which accounts for a high percentage of domestic production and import volume, was selected for price comparisons. The representative nitrocellulose products for which price data were requested are listed below:

Product 1.--Industrial nitrocellulose, on specifications, 11.8 to 12.2 percent nitrogen content by weight, 1/4 second (corresponding to Hercules RS-type, 1/4 second).

Product 2.--Industrial nitrocellulose, on specifications, 11.8 to 12.2 percent nitrogen content by weight, 1/2 second (corresponding to Hercules RS-type, 1/2 second).

Product 3.--Industrial nitrocellulose, on specifications, 11.8 to 12.2 percent nitrogen content by weight, 18-25 centiposes (corresponding to Hercules RS-type, 18-25 centiposes).

Product 4.--Industrial nitrocellulose, on specifications, 11.8 to 12.2 percent nitrogen content by weight, 30-35 centiposes (corresponding to Hercules RS-type, 30-35 centiposes).

The domestic producer, Hercules, and eight importers provided usable data for their largest quarterly sales of the subject representative nitrocellulose products, but not necessarily for each product or for each quarter of the subject period. Price data for imported nitrocellulose from Korea cover only 4 to 5 quarters in 1988-89 and include only products 1, 2, and 4.

Price trends.--Price trends for the subject domestic and imported nitrocellulose products are based on quarterly net delivered selling prices for the largest volume sale reported by the domestic producer and the respondent importers and, in the case of imports from Yugoslavia, purchase prices reported by the importer/end user.

Domestic nitrocellulose prices.--The domestic producer's selling prices generally reflect a rather flat pattern early in the subject period, a softening of prices in 1987 for certain products, and an uptrend that began early in 1988, strengthened in mid-year, and continued in January-June 1989. Prices, on average, increased by \* \* \* to \* \* \* percent over the subject period.

The base-period price of product 1 declined from \$\* \* \* in January-March 1986 to \$\* \* \* in April-June and remained at that level during the balance of the year (table 26). During January-September 1987, the price held at \$\* \* \* per pound; it then increased to \$\* \* \* during October 1987-March 1988. The

---

<sup>25</sup> Domestic producers and importers/distributors also were requested to provide quarterly data on the total quantity and value of sales (purchases) for each of the four specified representative nitrocellulose products.

Table 26

Industrial nitrocellulose: Weighted-average prices and margins of under/(over) selling for product 1 sold to end users and imported by end users for their own use, as reported by U.S. producers and importers, by quarters, January 1986-June 1989

\* \* \* \* \*

---

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

---

price strengthened to \$\* \* \* in April-June, climbed to \$\* \* \* in July-September, and held there through December of that year. The price uptrend continued in January-March 1989 as the quarterly price reached \$\* \* \* and closed out the subject period at that level, \* \* \* percent above the base-period price.

Product 2 prices reflect a quite similar pattern. From a level of \$\* \* \* per pound during January-September 1986, the price jumped to \$\* \* \* in October-December, but fell to \$\* \* \* from January 1987 through June of that year (table 27). Beginning in July-September, the upturn began and prices climbed from \$\* \* \* to \$\* \* \* during January-June 1988 and to \$\* \* \* during the balance of that year. The uptrend in the prices continued in 1989, peaked at \$\* \* \* in January-March, and ended the subject period at \$\* \* \* per pound.

The price pattern of product 3 reflects a downturn early in the subject period from a base price of \$\* \* \* per pound to \$\* \* \* during April-September 1986 (table 28). The price was \$\* \* \* in October-December, but fell \* \* \* percent to \$\* \* \* per pound in January-March 1987 and held during April-June of that year. The downtrend reversed in July-September 1987 and the price climbed from \$\* \* \* in that quarter to \$\* \* \* in January-June 1988, \$\* \* \* in July-December 1988, and \$\* \* \* in January-June 1989, \* \* \* percent above the base-period price level.

The price trend for product 4 is similar. The price held at or within \* \* \* of \$\* \* \* per pound during 1986, fell to \$\* \* \* in January-March 1987 and remained within \* \* \* of that level through September of that year (table 29). The upturn that followed pushed the price to \$\* \* \*, then the price dipped to \$\* \* \* during January-June 1988. The uptrend strengthened as the price climbed to \$\* \* \* in July-December and to a peak of \$\* \* \* during January-June 1989.



Table 27

Industrial nitrocellulose: Weighted-average prices and margins of under/(over) selling for product 2 sold to end users and imported by end users for their own use, as reported by U.S. producers and importers, by quarters, January 1986-June 1989

---

\* \* \* \* \*

---

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 28

Industrial nitrocellulose: Weighted-average prices and margins of under/(over) selling for product 3 sold to end users and imported by end users for their own use, as reported by U.S. producers and importers, by quarters, January 1986-June 1989

---

\* \* \* \* \*

---

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 29

Industrial nitrocellulose: Weighted-average prices and margins of under/(over) selling for product 4 sold to end users and imported by end users for their own use, as reported by U.S. producers and importers, by quarters, January 1986-June 1989

---

\* \* \* \* \*

---

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Prices of imported nitrocellulose

Brazil.--The prices of imported Brazilian nitrocellulose reflect a dip in 1987 followed by a recovery in mid-1987 that, over the balance of the subject period, pushed the price to a level from \* \* \* to \* \* \* percent above the base-period prices of the four representative products.

Product 1 prices fell from a base price of \$\* \* \* per pound to \$\* \* \* in April-June 1986, then dipped to \$\* \* \* in October-December (table 26). The downtrend reversed beginning in July-September 1987 as the price increased to \$\* \* \* and held at that level during the last quarter of that year. In April-June 1988, the price moved up to \$\* \* \*; it then rose to \$\* \* \* during the last half of 1988. The price uptrend continued in 1989 to \$\* \* \* in January-June, \* \* \* percent above the base-period price.

The base-period price of Brazilian product 2, \$\* \* \* per pound, was lower than product 1; it moved up to \$\* \* \* in April-June 1986, then fell sharply to \$\* \* \* in July-September (table 27). The price strengthened in October-December to \$\* \* \* per pound. During 1987, the upturn continued. Price data for June-December reflect a price of \$\* \* \*, a level that held, absent data for the first quarter of 1988, through April-June of that year. The price moved up to \$\* \* \* in July-September, \$\* \* \* in October-December 1988, and \$\* \* \* in January-March 1989. In the last quarter of the subject period, however, the price declined to \$\* \* \*, a level \* \* \* percent above the base-period price.

Based on an incomplete price series, Brazilian nitrocellulose product 3 prices, although slightly lower, reflect a quite similar trend. The price increased slightly from \$\* \* \* in the base period to \$\* \* \* in the next quarter. Again the price fell below the base-period level in October-December 1986 (table 28). The uptrend began in July-September 1987 as prices rose to \$\* \* \* per pound, where they held in the following quarter before rising to \$\* \* \* during April-December 1988. A single observation for April-June 1989 shows a price increase to \$\* \* \*, \* \* \* percent above the base-period price.

A six-quarter price series for product 4 reflects an irregular uptrend in prices from a base price of \$\* \* \* per pound in July-September 1987 to a high of \$\* \* \* in October-December 1988 (table 29). Data for April-June 1989 show the price at that same level, \* \* \* percent above the beginning price level.

PRC.--The prices of imported nitrocellulose from the PRC during most of the subject period were below \$\* \* \* per pound and reflect an irregular pattern, with an upturn in prices beginning in late 1988 or in 1989 to levels from \* \* \* to \* \* \* percent above the base-period prices.

Product 1 price fell from \$\* \* \* per pound in January-March 1986 to a period low of \$\* \* \* in April-September 1987 (table 26). A price anomaly of \$\* \* \* per pound appears in October-December of that year, followed by a decrease to \$\* \* \* in January-March 1988. A steady increase then moved the price to a period high of \$\* \* \* at the end of the subject period, a level \* \* \* percent above the initial price.

The prices of product 2 in 1986 were \* \* \* below the base-period price of \$\* \* \* in 2 of the 3 subsequent quarters (table 27). From January-March 1987 through the comparable quarter of 1988 the price level was within \* \* \* of \$\* \* \* per pound. A steady upturn began and the price reached \$\* \* \* by the end of the subject period, a level \* \* \* percent higher than the base-period price.

A partial price series for product 3 shows a price of \$\* \* \* per pound in October-December 1986 (table 28). A price of \$\* \* \* held during 1987. The price moved up to \$\* \* \* in January-March 1988, then fell to \$\* \* \* in April-June. A single observation in January-March 1989 again shows a price of \$\* \* \*, a level \* \* \* percent above the base price.

Product 4 prices show a decline from \$\* \* \* per pound in January-March 1986 to a period low of \$\* \* \* in July-September of that year (table 29). The pattern reversed and prices climbed from \$\* \* \* in October-December to \$\* \* \* in the same quarter of 1987, held at \$\* \* \* during 1988 and increased to a period high of \$\* \* \* at the end of the subject period, a level \* \* \* percent above the beginning price.

Japan.--Prices of imported Japanese nitrocellulose reflect a decline that held through mid-1987, then a continuing upturn that became sharper in 1988 and steepened in 1989. Over the subject period, the price increases ranged from \* \* \* to \* \* \* percent on a product-by-product basis.

From a base-period price of \$\* \* \* per pound, the price of product 1 declined to a period low of \$\* \* \* in October 1986-June 1987 (table 26). Then the trend reversed and the price climbed to a period high of \$\* \* \* in April-June 1989, a level \* \* \* percent above the base-period price.

Product 2 prices declined from \$\* \* \* in the base period to \$\* \* \* in October-December 1986 and held at that level for 3 quarters (table 27). The price then increased steadily from \$\* \* \* in October-December 1987 to a period high of \$\* \* \* at subject period end, \* \* \* percent above the beginning price level.

The product 3 price was \$\* \* \* per pound in January-March 1986, generally held at within \* \* \* of that level through January-March 1987, then decreased to a period low of \$\* \* \* in April-June of that year (table 28). The price increased in the following quarter to \$\* \* \*, and prices climbed fairly steadily to a period high of \$\* \* \* per pound in October-December 1988. At subject period end the price was \$\* \* \*, \* \* \* percent above the initial period price.

The price of Japanese product 4 was \$\* \* \* per pound in the base period, then fell to a period low of \$\* \* \* in January-June 1987 (table 29). A rising price trend followed, with prices increasing from \$\* \* \* in July-September to a period high of \$\* \* \* during January-June 1989, a level \* \* \* percent above the base-period price.

Korea.--Price data received for nitrocellulose imported from Korea spans only 4 to 5 quarters at the end of the subject period and covers only products 1, 2, and 4. The data reflect an irregular pattern of rising prices that increased by \* \* \* to \* \* \* percent over the period.

Product 1 prices increased from \$\* \* \* per pound in April-June 1988 to a period high of \$\* \* \* in January-March 1989, but ended the period at \$\* \* \*, \* \* \* percent above the beginning period price (table 26).

Four quarterly prices for product 2 show an initial price of \$\* \* \* in April-June 1988 and a period high of \$\* \* \* in October-December (table 27). The price decreased in 1989 to \$\* \* \* in April-June, \* \* \* percent above the initial price level.

The prices of product 4 increased from \$\* \* \* in April-June 1988 to \$\* \* \* during January-June 1989, a level \* \* \* percent above the initial price (table 29).

United Kingdom.--For the most part, the reported prices of imported nitrocellulose from the United Kingdom, product by product, remained flat or varied only \* \* \* during the first 7 or 8 quarters of the subject period. During the uptrend in prices that followed, the prices rose to levels that ranged from \* \* \* to \* \* \* percent above the base-period prices.

During 1986, 1987, and January-June 1988, the product 1 prices, except for the period July-September 1986, held within \* \* \* of the base-period price of \$\* \* \* per pound (table 26). The price increased to \$\* \* \* during July 1988-March 1989 and to \$\* \* \* at period end, \* \* \* percent above the base-period price level.

Product 2 prices, except for the period July-September 1986, were within \* \* \* of the base-period price of \$\* \* \* during 1986 and January-September 1987 (table 27). Quarterly prices rose irregularly from \$\* \* \* in October-December 1987 to end the subject period at \$\* \* \*, again \* \* \* percent above the base-period price level.

From a base-period price of \$\* \* \* per pound, product 3 prices increased to \$\* \* \* in the following quarter, then fell to \$\* \* \* in July-September 1986 and, except for a period low of \$\* \* \* per pound in April-June 1987, held at within \* \* \* of that level through July-September 1988 (table 28). The price moved up to \$\* \* \* in the final quarter of 1988 and to \$\* \* \* during January-June 1989, a level \* \* \* percent above the base-period price.

The base price of nitrocellulose product 4 was \$\* \* \* and, except for a single quarter rise to \$\* \* \* in October-December 1986, prices held at within \* \* \* of that level through March 1988 (table 29). During April 1988-June 1989, the price increased from \$\* \* \* to \$\* \* \* at the end of the subject period, a level \* \* \* percent above the base-period price.

West Germany.--The prices of imported nitrocellulose from West Germany were rather flat during 1986 and 1987, then reflected a rising trend in the last few quarters of the subject period, which resulted in prices that increased, by products, to levels from \* \* \* to \* \* \* percent above the base-period prices.

Product 1 prices remained at or within \* \* \* of the base-period price of \$\* \* \* per pound during the remainder of 1986 and in 1987 (table 26). In January-June 1988 the price moved up to \$\* \* \*, and it increased to \$\* \* \* in January-March 1989, a level \* \* \* percent above the base-period price.

From a base price of \$\* \* \* in April-June 1986, the price of product 2 decreased to a period low of \$\* \* \* per pound in October-December 1986 and held at or within \* \* \* of that price through December 1987 (table 27). The price trend turned up beginning in 1988 and increased from \$\* \* \* in January-March to \$\* \* \* in October-December of that year, a level \* \* \* percent higher than the initial price. No data were received for 1989.

The prices of product 3, based on only 3 quarters, show an initial price of \$\* \* \* in October-December 1988, a low of \$\* \* \* in January-March 1989, and a high of \$\* \* \* per pound in April-June 1989, only \* \* \* percent above the initial price (table 28).

Product 4 prices held at or within \* \* \* of the \$\* \* \* per pound base-period price through 1987 (table 29). A rising trend began at that time, and the price increased from \$\* \* \* in January-March 1988 to a high of \$\* \* \* during April-September of the year. Prices then slipped to \$\* \* \* in October-December 1988, the last quarter for which data were received. Over the period, the price rose \* \* \* percent compared with the base-period price.

Yugoslavia.--The purchase prices for imported Yugoslavian nitrocellulose are the same for all four representative products and reflect a rising trend of \* \* \* percent in 1986 from a base-period price of \$\* \* \* per pound to \$\* \* \* per pound (tables 26 through 29).<sup>26</sup> There was then a \* \* \* decline in price to \$\* \* \* in January-March 1987, followed by a steady uptrend from \$\* \* \* in April-June of that year to a period high of \$\* \* \* per pound during January-June 1989, a price level \* \* \* percent above the base-period price.

The Commission requested that the domestic producer provide price data on the largest quarterly sales of Z-grade nitrocellulose, the off-grade residual product associated with the manufacture of regular grade products 1, 2, 3, and 4. Hercules provided price data for each of the four off-grade products. These price data reflect a pattern of prices roughly from \* \* \* to almost \* \* \* percent lower than the regular RS-grade prices and an irregular price trend that in general was rather flat for products 1 and 2 until mid-1987, when prices moved upward to levels about \* \* \* percent above the base-period price (appendix tables D-1 and D-2). Prices of products 3 and 4 were roughly \* \* \* to \* \* \* percent below the prices for regular grade (appendix tables D-3 and D-4). The uptrend in prices began in mid-1986 and the prices peaked irregularly at levels as much as \* \* \* to \* \* \* percent above the initial prices.

Appendix tables D-1 through D-4 present Hercules' total sales of regular RS-grade and Z-grade, in terms of quantity, as well as the unit prices of regular RS- and Z-grade for each of the four nitrocellulose products, by quarters, during January 1986-June 1989. These tables also show the share of Z-grade in total quarterly sales of both grades of nitrocellulose. The data indicate that the quarterly share of Z-grade sales ranged from \* \* \* to \* \* \*

---

<sup>26</sup> \* \* \*. No other price data on imports of Yugoslavian nitrocellulose were received.

percent of total product 1 sales, from \* \* \* to \* \* \* percent for product 2, from \* \* \* to \* \* \* percent for product 3, and from \* \* \* to \* \* \* percent for product 4. Importers of nitrocellulose from the subject countries did not provide any off-grade product price data. Therefore, no domestic versus import price comparisons were possible.

Price comparisons and margins of underselling/overselling.--Price comparisons between the Hercules-manufactured nitrocellulose and the imported product from the subject countries are based on the same net delivered selling prices of the four representative products surveyed in the trend analysis. They match the prices of the largest quarterly domestic sales with the largest quarterly sales by importers (or quarterly purchases by importers/end users in the case of Yugoslavian nitrocellulose) to end users during the period January 1986-June 1989. Quarterly comparisons of domestic versus import price were possible on a country-by-country basis for a total of 301 quarters. Comparisons in 187 quarters indicate underselling by the imported nitrocellulose from the subject countries overall, but not necessarily underselling by each country or for each representative product.

Brazil.--Comparisons of prices of domestic versus imported nitrocellulose from Brazil were possible for a total of 36 quarters. In 33 instances, the Brazilian nitrocellulose was priced below the domestic product. The Brazilian nitrocellulose undersold the Hercules product by margins that ranged from \* \* \* to \* \* \* percent for product 1 (table 26), from \* \* \* to \* \* \* percent for product 2 (table 27), from \* \* \* to \* \* \* percent for product 3 (table 28), and from \* \* \* to \* \* \* percent for product 4 (table 29). The margins of overselling were \* \* \* and \* \* \* percent for product 2 (table 27) and amounted to \* \* \* percent for product 4 (table 29).

PRC.--Comparisons of quarterly domestic prices and prices of nitrocellulose imported from the PRC were possible in 47 instances. The Chinese product was priced below the domestic product in 44 of these comparisons. The margins of underselling by imported nitrocellulose from the PRC ranged from \* \* \* to \* \* \* percent for product 1 (table 26), from \* \* \* to \* \* \* percent for product 2 (table 27), from \* \* \* to \* \* \* percent for product 3 (table 28), and from \* \* \* to \* \* \* percent for product 4 (table 29). The 3 comparisons in which the Chinese product was priced above the Hercules' product show margins of \* \* \* and \* \* \* percent for product 1 and \* \* \* percent for product 4.

Japan.--Quarterly price comparisons of domestic and imported nitrocellulose from Japan were possible for a total of 56 quarters. The domestic product was priced below the Japanese product in every comparison. The margins of overselling by the Japanese nitrocellulose ranged from \* \* \* to \* \* \* percent for product 1 (table 26), from \* \* \* to \* \* \* percent for product 2 (table 27), from \* \* \* to \* \* \* percent for product 3 (table 28), and from \* \* \* to \* \* \* percent for product 4 (table 29).

Korea.--Comparisons of quarterly prices of domestic versus imported nitrocellulose imported from Korea were possible in 13 instances. The domestic product was sold at prices lower than the imported product in 10 of these comparisons. The margins of overselling by the Korean nitrocellulose ranged from \* \* \* to \* \* \* percent for product 1 (table 26), from \* \* \* to \* \* \* percent for product 2 (table 27), and from \* \* \* to \* \* \* percent for product 4 (table 29). The Korean nitrocellulose was priced below the domestic product by margins of \* \* \* and \* \* \* percent for product 1, and was \* \* \* in a third product 1 price comparison.

United Kingdom.--Quarterly comparisons of domestic versus imported nitrocellulose from the United Kingdom were possible in 56 instances. Comparisons in 29 quarters indicated underselling. The margins of underselling ranged from \* \* \* to \* \* \* percent for product 1 (table 26), from \* \* \* to \* \* \* percent for product 2 (table 27), from \* \* \* to \* \* \* percent for product 3 (table 28), and from \* \* \* to \* \* \* percent for product 4 (table 29). The U.K. product was priced above the domestic nitrocellulose by margins that ranged from \* \* \* to \* \* \* percent for product 1, from \* \* \* to \* \* \* percent for product 2, from \* \* \* to \* \* \* percent for product 3, and from \* \* \* to \* \* \* percent for product 4.

West Germany.--Comparisons of prices of domestic nitrocellulose and imported West German product were possible in a total of 37 quarters. The West German nitrocellulose undersold the domestic product in 34 of these comparisons. The imported West German product was priced lower than the domestic nitrocellulose by margins that ranged from \* \* \* to \* \* \* percent for product 1 (table 26) and from \* \* \* to \* \* \* percent for product 2 (table 27), amounted to \* \* \* percent for product 3 (table 28), and ranged from \* \* \* to \* \* \* percent for product 4 (table 29).

Yugoslavia.--Quarterly price comparisons of domestic versus imported nitrocellulose from Yugoslavia were possible in 56 instances. The imported nitrocellulose from Yugoslavia was priced below the domestic product in 45 comparisons. The margins by which the imported product undersold the Hercules product ranged from \* \* \* to \* \* \* percent for product 1 (table 26), from \* \* \* to \* \* \* percent for product 2 (table 27), from \* \* \* to \* \* \* percent for product 3 (table 28), and from \* \* \* to \* \* \* percent for product 4 (table 29). The Yugoslavian nitrocellulose was priced above the domestic product by margins that ranged from \* \* \* to \* \* \* percent for product 1, from \* \* \* to \* \* \* percent for product 2, from \* \* \* to \* \* \* percent for product 3, and from \* \* \* to \* \* \* percent for product 4.

#### Lost revenue

In response to the Commission's questionnaire, Hercules listed 10 examples of alleged lost revenue, naming 10 different firms. These instances occurred during the period 1988-89. The quantities of RS-grades of nitrocellulose involved sales volumes that ranged from \* \* \* pounds to \* \* \* pounds. Brazil was named as the competing import source country in four instances, Korea in three, Japan and the United Kingdom in two each, and the PRC, West Germany, and Yugoslavia in one each. Hercules stated that lost revenue resulted from reducing prices as well as from the rollback of announced price increases. Other revenue-reducing actions by Hercules in meeting import competition that were independently identified by the Commission included freight equalization to retain customer volume, staged delay of announced price increases, and elimination of warehouse up-charges included in the price for spot purchases not shipped direct from Hercules' plant.

Hercules named \* \* \*, an \* \* \* firm that manufactures lacquers, in an alleged instance of lost revenue that occurred in \* \* \*. Faced with import competition from \* \* \* nitrocellulose for this customer's anticipated volume requirement, a quantity of RS-grades that totaled \* \* \* pounds, Hercules alleged that it opted \* \* \*, "to be more competitive." Hercules reported the value of this aggregate sales volume as amounting to \$\* \* \* based on \* \* \*.

Instead, the revenue totaled \$\* \* \* based on the \* \* \* reduction that put the price at \$\* \* \* per pound. \* \* \*, director of purchasing for \* \* \* company, responded to the Commission's inquiry. \* \* \* confirmed the facts as alleged by Hercules. \* \* \* did negotiate the \* \* \*. He stated that he had used lower prices from alternative sources as leverage to obtain this concession from Hercules. This option to turn to imports from \* \* \* and \* \* \* was not an idle threat, he noted. \* \* \* had tested sample drums of the imported products from the named countries, had approved the quality, and had implemented the decision to split its volume between imports and domestic product.

\* \* \*, a large purchaser of nitrocellulose in \* \* \*, was cited by Hercules in another instance of alleged lost revenue in \* \* \*. Hercules reported a rejected price of \$\* \* \* per pound for an anticipated volume of \* \* \* pounds of RS-grade product compared with an alleged price of \$\* \* \* per pound for competing product imported from \* \* \*. Hercules stated in its questionnaire response that it reduced its price \* \* \* cents per pound "to be more competitive" in the face of the low import price, but reported its adjusted price as \$\* \* \* per pound. \* \* \* provided the details concerning this volume of aggregate purchases from Hercules. \* \* \* estimates its corporate volume based on \* \* \* and negotiates annually for prices and volumes from alternate sources, including Hercules and various foreign suppliers. \* \* \* then gives blanket orders to its suppliers in proportion to allocated shares of the firm's anticipated annual requirement. These are not firm contracts and there is no penalty for falling short of the target volume. \* \* \* confirmed the volume figure as alleged, \* \* \*. The prices for RS-grade 1/4- and 1/2-second were \$\* \* \* and for \* \* \* and \* \* \* centiposes, \$\* \* \* and \$\* \* \*, respectively. The competing price in 1989 for the \* \* \* product on average was \$\* \* \* on \* \* \*. The \* \* \* product had been heavily used \* \* \*, which paid \* \* \* more per pound. \* \* \* also noted that Hercules "came up with a volume incentive rebate system" in 1989 to improve its competitive position. \* \* \*. <sup>27</sup> Based on the rejected price of \$\* \* \* per pound, the net loss per pound on base volume amounted to about \* \* \* to \* \* \* cents per pound and on rebate volume would amount to roughly \* \* \* to \* \* \* cents per pound depending on the mix of RS-grades.

\* \* \*, a firm located in \* \* \*, was identified as the purchaser of \* \* \* pounds of nitrocellulose in \* \* \*, a sale that Hercules alleged involved lost revenue of \* \* \* cents per pound. Hercules reported that it reduced its initial rejected price of \$\* \* \* per pound to \$\* \* \* per pound on a portion of the purchaser's volume that involved \* \* \*. The alleged lost revenue amounted to \$\* \* \* on the volume noted above. \* \* \* vice president of operations, provided the details regarding this allegation. \* \* \* confirmed that Hercules had given the \* \* \* plant a special allowance of \* \* \* cents per pound for \* \* \* to supply nitrocellulose for manufacturing lacquers \* \* \*. Beginning in \* \* \*, Hercules guaranteed to hold the price at \$\* \* \* per pound for \* \* \*. In \* \* \*, \* \* \* purchased the last of the \$\* \* \*-per-pound volume destined for \* \* \* and the Hercules price moved up to \$\* \* \* per pound.

Another allegation of lost revenue involved \* \* \*, a firm located in \* \* \*. Hercules reported that an initial rejected price of \$\* \* \* per pound for \* \* \* pounds of RS-grade product would have meant a sale totaling \$\* \* \*. Faced with an alleged price of \$\* \* \* for imported \* \* \* nitrocellulose,



Hercules " \* \* \* ." This price indicates lost revenue of \$ \* \* \* on the total volume reported. \* \* \*, an executive of \* \* \*, after checking the firm's records confirmed the reported volume, the price of \$ \* \* \* per pound, and the fact that \* \* \*. He noted, however, that the \* \* \*. He also stated that the price of \$ \* \* \* did not include a \* \* \*-cents-per-pound charge for freight on the returnable drums. As for the \* \* \* presence, \* \* \* said that he had bought some sample drums of RS-grade \* \* \* nitrocellulose, but found that it would not work for their use. He had also tested product imported from \* \* \*. The " \* \* \* price was attractive," \* \* \* said, but the quality and the narrow grade availability, only 1/4- and 1/2-second RS-grades, posed serious problems. The presence of these imported products, however, did create price pressure on Hercules, according to \* \* \*.

Hercules named \* \* \* in another instance of alleged lost revenue in \* \* \*. This blanket order involved an aggregate volume of \* \* \* pounds of RS-grade nitrocellulose and an initial offer price of \$ \* \* \* per pound. Faced with \* \* \* nitrocellulose offered at \$ \* \* \* per pound, Hercules reported that the price was reduced \* \* \* cents per pound "to be more competitive." \* \* \* responded to the Commission's inquiry. He confirmed the facts largely as reported by Hercules. Hercules did reduce its initial offer price by \* \* \* cents per pound in an effort to increase its share of \* \* \* 's volume. The import competition was \* \* \* product, but the \* \* \* price was \$ \* \* \* to \$ \* \* \* per pound depending on the grade. Moreover, the Hercules price is quoted f.o.b. point of shipment; the price for imported \* \* \* nitrocellulose is quoted f.o.b. customer's dock.

The price reduction by Hercules did not increase its share of the total volume that \* \* \* purchases. Hercules has about \* \* \* percent of this volume and \* \* \* the balance. \* \* \* rates the \* \* \* product as better than the Hercules product. The production people at \* \* \* prefer the \* \* \* nitrocellulose because it goes into solution better. \* \* \* also has purchased imported nitrocellulose from \* \* \*. Although it is a quality product, it is "not as useable" as the Hercules or \* \* \* product because "the \* \* \* process does not accept it as well."

A \* \* \* firm, \* \* \*, was named by Hercules in another alleged lost revenue example. This transaction involved an anticipated \* \* \* volume of \* \* \* pounds of RS-grades of nitrocellulose. Hercules' initial rejected price was reported as \$ \* \* \* per pound and Hercules' questionnaire response states that it "lowered the price \$ \* \* \* per pound to be more competitive" in the face of competing imported nitrocellulose from \* \* \* offered at \$ \* \* \* per pound. \* \* \*, an executive of the firm, was contacted but has not as yet responded.

Hercules cited \* \* \* in another alleged sale that involved lost revenue in meeting competition from imported nitrocellulose from \* \* \*. This sale in aggregate was for an anticipated \* \* \* volume of \* \* \* pounds of RS-grades of nitrocellulose. Hercules' initial rejected offer price was reported as \$ \* \* \* per pound. Hercules stated that it reduced the net price by \* \* \* cents per pound "in order to be more competitive" in competing with an import price of \$ \* \* \* per pound. The alleged price reduction to \$ \* \* \* per pound indicates lost revenue in the amount of \$ \* \* \* on the subject volume.

\* \* \*, an executive of \* \* \*, confirmed the facts as alleged. He did not buy the competing product from any of the named \* \* \*, although he has purchased \* \* \* nitrocellulose in the past. \* \* \* does receive quotes from

these sources but has given most of its volume requirement to Hercules. \* \* \* is buying some imported nitrocellulose from \* \* \*, but is on allocation for this \* \* \* product. The \* \* \* prices are about the same as Hercules' prices, \* \* \* said. In the past, the prices of the \* \* \* product were higher than those of Hercules.

### Lost sales

The Commission in its questionnaire requested Hercules to provide examples of instances in which it knows or believes it lost sales of industrial nitrocellulose to competing imported product from any one or more of the countries subject to these investigations. In response, Hercules provided 28 instances of alleged lost sales involving 22 different companies. Hercules cited competition from Brazilian nitrocellulose in 7 lost sales instances, the PRC in 3, Japan in 5, Korea in 3, the United Kingdom in 8, West Germany in 8, and Yugoslavia in 2. The total sales volume allegedly lost in connection with the reported examples amounted to \* \* \* pounds of nitrocellulose with an aggregate value of \$\* \* \*.

Hercules named \* \* \* in \* \* \* instances of alleged lost sales during \* \* \*. \* \* \*, Hercules quoted a price of \$\* \* \* per pound for a blanket order amounting to \* \* \* pounds of mixed RS-grades allegedly lost to competing imports from \* \* \* priced at \$\* \* \* per pound. \* \* \* confirmed the competition between Hercules and imported product from \* \* \*. He admitted that he had made aggregate purchases of \* \* \* nitrocellulose through \* \* \* in an amount of \* \* \* pounds at a price of \$\* \* \* plus \* \* \*-cents-per-pound freight. From \* \* \* forward, the \* \* \* price increased to \$\* \* \* per pound plus \* \* \* cents freight. \* \* \* expects the total volume from \* \* \* to reach \* \* \* pounds by \* \* \*.

A \* \* \* lost sale allegation involving \* \* \* cited competition in \* \* \* from imported nitrocellulose from \* \* \* offered at \$\* \* \* per pound, compared with \$\* \* \* per pound for the domestic product. The sale in question involved an aggregate anticipated volume of \* \* \* pounds. A \* \* \* alleged sale lost to \* \* \* involved a volume of \* \* \* pounds in \* \* \*. Again, the competing product was imported nitrocellulose from \* \* \* offered at \$\* \* \* per pound against the Hercules price of \$\* \* \* per pound. Again, \* \* \* confirmed the facts generally as alleged. In \* \* \*, \* \* \* did purchase \* \* \* pounds of the imported \* \* \* product at the expense of Hercules' share of the overall \* \* \* volume requirement. The price, however, was \$\* \* \* per pound throughout the year. In \* \* \*, \* \* \* opted for the \* \* \* product and purchased a total of \* \* \* pounds through \* \* \*, again at the expense of volume that could have gone to Hercules. \* \* \* expects to purchase an additional \* \* \* pounds of \* \* \* product during the balance of 1989. The \* \* \* price was not \$\* \* \*, but \$\* \* \* during \* \* \*. The price increased to \$\* \* \* per pound during \* \* \* and will rise to \$\* \* \* for the balance of the year. These are delivered prices and there is no drum cost or return freight expense on the nonreturnable drums.

\* \* \* was named in \* \* \* instances of alleged lost sales, \* \* \*. \* \* \*, the competing imports were from \* \* \*. In \* \* \*, Hercules' offer price of \$\* \* \* was allegedly rejected in favor of the \* \* \* price of \$\* \* \* per pound. In \* \* \*, Hercules' price was \$\* \* \* against a competing price of \$\* \* \* for the \* \* \* nitrocellulose and Hercules allegedly lost the sale.

\*\*\* confirmed the prices and in rough terms the lost volumes involved. In \*\*\*, Hercules' share of \*\*\* purchases of nitrocellulose fell by \*\*\* pounds. In \*\*\*, Hercules will lose an additional volume of \*\*\* pounds. Part of these annual losses reflects the softening of the market, but most of the lost volume is the increase in the annual share that has been given to imported product from \*\*\*. Moreover, \*\*\* has made a decision to increase the amount of its purchases from that source.

\*\*\* noted that the incentive rebate program Hercules designed to make the Hercules price competitive applies only to the volume over a large target base volume, while the price of the \*\*\* nitrocellulose is low on total purchases by \*\*\*. This amounts to a difference of \*\*\* to \*\*\* cents per pound in favor of the imported nitrocellulose.<sup>28</sup> The lost sales volume to Hercules in value terms amounts to roughly \$\*\*\*, according to \*\*\*, for the \*\*\* period.

Hercules identified the \*\*\* company located in \*\*\* in another instance of alleged lost sales in \*\*\*. \*\*\* manufactures lacquers, industrial coatings, and \*\*\*. The aggregate volume involved in this example allegedly totaled \*\*\* pounds. Hercules reported that the import competition included \*\*\*, \*\*\*, and \*\*\*. Hercules' price of \$\*\*\* per pound was rejected allegedly in favor of competing imports from the above named countries offered at \$\*\*\* per pound. \*\*\*, purchasing manager of the \*\*\* firm, without consulting his records stated that the quantity and prices were fairly accurate. \*\*\*, he said, had purchased imported product as alleged rather than Hercules' nitrocellulose because of the lower price and because of the firm's policy of fostering alternative sources of supply. Hercules, however, retained an estimated \*\*\* of \*\*\* total volume requirements. \*\*\* added that the import sources were \*\*\* and \*\*\*. He did not purchase any \*\*\* nitrocellulose in \*\*\*. \*\*\* estimated that the volume lost by Hercules in this case was roughly \$\*\*\*.

Hercules named \*\*\*, a lacquer manufacturer located in \*\*\*, in another alleged instance of lost sales. This example involved an anticipated \*\*\* volume requirement for the purchaser that totaled \*\*\* pounds. Hercules reported that its offer price of \$\*\*\* per pound was rejected in favor of imported nitrocellulose from \*\*\*, \*\*\*, and \*\*\* purchased by \*\*\* at a price of \$\*\*\* per pound. \*\*\*, \*\*\*'s corporate director of purchases, supplied the facts concerning this alleged lost sale. \*\*\* confirmed the volume figure and the Hercules price of \$\*\*\* as an initial price in \*\*\*. He noted with emphasis, however, that Hercules reduced that price in \*\*\* after \*\*\*. Hercules lowered the price to \$\*\*\* and \$\*\*\* per pound for 1/2- and 1/4-second RS-grades, respectively, but "this did not increase Hercules' share." \*\*\* had already made a commitment to \*\*\*, an importer of nitrocellulose from \*\*\*, \*\*\*, and \*\*\*. \*\*\* basically depends on annual negotiations to firm up shares and commitments for needed supply, although such arrangements are not hard contractual agreements. The price of \*\*\* and \*\*\* nitrocellulose was \$\*\*\* in \*\*\* and \$\*\*\* in \*\*\*. The \*\*\* price has increased to \$\*\*\* during the past 3 months. The price for \*\*\* product imported from \*\*\* is \$\*\*\* per pound. In terms of quality, \*\*\* rates the three sources' nitrocellulose on a scale of 1 (low) to 10 (high) as follows: \*\*\* 1, \*\*\* 5, and \*\*\* 10. The value of this potential volume was roughly \$\*\*\*.

\* \* \* was again identified in \* \* \* instances of alleged lost sales. \* \* \* involved annual anticipated volume of \* \* \* pounds in \* \* \* and the competing imports were \* \* \*. Hercules' rejected offer price reportedly was \$\* \* \*, compared with a competing price of \$\* \* \* for the \* \* \* nitrocellulose. \* \* \*.

\* \* \* confirmed the prices but explained that the comparisons were more complex than Hercules indicated. Hercules' \* \* \* price was \$\* \* \* after an allowance for freight equalization of \$\* \* \* per truckload from \* \* \* and a credit for barrel deposit. Late in \* \* \*, Hercules elected to eliminate the freight equalization and the automatic barrel deposit credit. At the resultant price, Hercules was not competitive.

The Hercules rebate program of \* \* \* cents per pound for volume purchased over \* \* \* pounds brought the Hercules price close to the level of \* \* \* 's prices for \* \* \* product. \* \* \* gave a volume discount on all the volume purchased by \* \* \* that put the import price at \$\* \* \* per pound. As a result, \* \* \* said Hercules " \* \* \*" by their hard line position in \* \* \* on price increases and lost \* \* \* percent of the volume of the \* \* \* plant, an amount that totaled roughly \* \* \* pounds in \* \* \*. The value of the lost volume for the period \* \* \* covered by these \* \* \* allegations amounts to roughly \$\* \* \*.

Another reported example of alleged lost sales involved \* \* \*. The volume in this instance amounted to \* \* \* pounds. Hercules' price of \$\* \* \* per pound was rejected in favor of a competing price of \$\* \* \* for nitrocellulose imported from \* \* \*. \* \* \*, purchasing director for \* \* \*, confirmed the facts as alleged. He did buy imported \* \* \* product at a price "very close" to the alleged price, f.o.b. Port of \* \* \* for a period \* \* \*. In the past few months, however, he has returned to Hercules for \* \* \* 's requirements because the company could not afford to have money tied up in three containers at one time -- one in inventory, one on the water, and one on order. This played havoc with the firm's finances. Consequently, \* \* \* has decided that the firm must buy locally. The lost volume for Hercules during \* \* \* amounted to over \$\* \* \*.

Another example of alleged lost sales named \* \* \*, a \* \* \* firm, as the purchaser involved in a potential sale of \* \* \* pounds of RS-grade nitrocellulose in the period \* \* \*. Hercules' bid of \$\* \* \* per pound was rejected, allegedly in favor of \* \* \* product offered at \$\* \* \* per pound. The aforementioned \* \* \* also responded to this allegation. \* \* \* had sampled the \* \* \* nitrocellulose and found it unacceptable. In this particular instance, \* \* \* confirmed buying imported \* \* \* product at a higher price than the Hercules product. The \* \* \* nitrocellulose works well in the \* \* \* process and the quality is good. \* \* \* noted that he has used the \* \* \* product for about 10 years and said that "until recently, the \* \* \* price was higher than the Hercules price."

Hercules identified the \* \* \* company, a manufacturer of lacquers for wood and other coatings located in \* \* \*, in another instance of alleged lost sales in \* \* \* that involved a total anticipated volume of \* \* \* pounds of RS-grades of nitrocellulose. Hercules' price quote of \$\* \* \* per pound was rejected, allegedly in favor of competing imported product from \* \* \* offered at \$\* \* \* per pound. \* \* \*, manager of operations for the firm, responded to the Commission inquiry. He confirmed purchasing \* \* \* product in the alleged quantity over a \* \* \* period, adding that \* \* \* uses about \* \* \* pounds of

nitrocellulose per month. The competing price figures also were accurate, but \* \* \* noted that the \* \* \* product was purchased on a delivered price basis. Hercules' share of \* \* \* annual nitrocellulose requirements has decreased to only \* \* \* percent and imports from \* \* \* supply the balance. \* \* \* explained that the \* \* \* producer uses the \* \* \* process and that consequently, the \* \* \* nitrocellulose is superior in its characteristic for handling and is more readily soluble. \* \* \* also emphasized the fact that the \* \* \* product is made with \* \* \*, again, a factor that results in a superior product. The value of this lost volume based on Hercules price of \$\* \* \* amounts to \$\* \* \*.

\* \* \* was cited by Hercules in \* \* \* instances of alleged lost sales during \* \* \*. The potential sales volume involved in each year amounted to \* \* \* pounds of nitrocellulose. Hercules' quotes of \$\* \* \* per pound in \* \* \* and \$\* \* \* in \* \* \* were rejected, allegedly in favor of nitrocellulose from \* \* \* offered at \$\* \* \* and \$\* \* \* per pound in \* \* \* and \* \* \*, respectively. \* \* \*, director of purchasing, provided the facts concerning these allegations. Hercules "did lose business" \* \* \* said. In \* \* \*, nitrocellulose purchases totaled \* \* \* pounds. This figure included \* \* \* truckloads from Hercules, so, \* \* \* concluded, the \* \* \* <sup>29</sup> pound figure was "in the ball park" as a measure of "lost business." The \* \* \* figure, he added, would be about the same. The alleged prices of \$\* \* \* and \$\* \* \* per pound for the \* \* \* product purchased from \* \* \* are not quite correct, \* \* \* said. The price varies per RS-grade and was roughly \$\* \* \* in \* \* \* and \$\* \* \* in \* \* \*. For instance, the current price of the imported \* \* \* product, f.o.b. \* \* \*, ranges from \$\* \* \* to \$\* \* \* per hundredweight, or about \$\* \* \* to \$\* \* \* per pound against a competing price of \$\* \* \* per pound, f.o.b. the Parlin, NJ, Hercules plant. Complicating price comparisons are freight costs and volume incentive programs. The imported \* \* \* product does involve the latter. Rebates on achieved volume range from \* \* \* to \* \* \* percent, in effect, reducing the net price by roughly \* \* \* to \* \* \* cents per pound based on annual purchases from \* \* \*. The "lost business" noted by \* \* \* over the \* \* \* amounted to roughly more than \$\* \* \*.

#### Exchange rates

Quarterly data reported by the International Monetary Fund indicate that values of currencies of the foreign countries subject to these investigations generally appreciated in nominal and real terms relative to the U.S. dollar during January 1986-March 1989, as well as through June 1989 where data were available (table 30). Exchange rate changes for the seven countries are discussed below.

Brazil.--The nominal value of the Brazilian cruzado depreciated relative to the U.S. dollar by approximately 99 percent during January 1986-June 1989. However, due to inflation of over 12,000 percent in Brazil during this period, the cruzado in fact appreciated by 30 percent against the dollar in real terms.

Japan.--The nominal value of the Japanese yen appreciated relative to the U.S. dollar by about 36 percent during January 1986-June 1989. An approximately 6-percent deflation in Japan compared with about 11-percent inflation in the United States during this period resulted in less appreciation of the Japanese yen in real terms compared with nominal terms.

Table 30

Exchange rates: 1/ Indexes of the nominal and real exchange rates between the U.S. dollar and currencies of six specified countries, and indexes of producer prices in the foreign countries and the United States, 2/ by quarters, January 1986-June 1989

Period	Brazil			Japan			South Korea			U.S.	
	Nominal	Producer	Real	Nominal	Producer	Real	Nominal	Producer	Real	Producer	
	exchange	price	exchange	exchange	price	exchange	exchange	price	exchange	price	
	rate	index	rate	rate	index	rate	rate	index	rate	index	
	index	index	index 3/	index	index	index 3/	index	index	index 3/	index	
1986:											
Jan.-Mar...	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Apr.-June..	92.0	103.9	97.4	110.4	96.3	108.3	100.0	97.8	99.6	98.2	
July-Sept..	92.0	105.7	99.5	120.6	93.8	115.8	100.6	98.8	101.7	97.7	
Oct.-Dec...	89.5	111.8	102.1	117.2	92.8	111.0	102.0	98.1	102.0	98.1	
1987:											
Jan.-Mar...	69.8	145.2	102.2	122.7	92.2	114.0	103.7	98.4	102.8	99.2	
Apr.-June..	40.6	259.6	104.7	131.7	91.5	119.5	107.2	99.5	105.8	100.8	
July-Sept..	26.9	375.0	99.0	127.9	92.6	116.2	109.8	99.6	107.3	101.9	
Oct.-Dec...	21.2	514.0	106.4	138.4	92.3	124.8	111.0	100.0	108.5	102.3	
1988:											
Jan.-Mar...	13.9	830.7	111.8	146.8	91.3	130.1	115.0	101.6	113.5	102.9	
Apr.-June..	8.4	1433.3	114.9	149.6	90.9	129.8	120.6	101.7	117.1	104.8	
July-Sept..	4.7	2642.1	117.4	140.5	91.8	121.5	122.7	102.5	118.5	106.2	
Oct.-Dec...	2.4	5408.8	120.3	150.0	91.0	128.0	127.5	102.5	122.5	106.7	
1989:											
Jan.-Mar...	1.3	10117.1	122.0	146.3	91.5	122.7	130.9	102.9	123.6	109.0	
Apr.-June..	1.1	13061.4	130.4	136.1	93.6	114.9	133.0	103.6	124.3	110.9	

See footnotes at end of table.

Table 30--Continued

Exchange rates: 1/ Indexes of the nominal and real exchange rates between the U.S. dollar and currencies of six specified countries, and indexes of producer prices in the foreign countries and the United States, 2/ by quarters, January 1986-June 1989

	United Kingdom			West Germany			Yugoslavia			U.S.
	Nominal exchange rate index	Producer price index	Real exchange rate index 3/	Nominal exchange rate index	Producer price index	Real exchange rate index 3/	Nominal exchange rate index	Producer price index	Real exchange rate index 3/	Producer price index
1986:										
Jan.-Mar...	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Apr.-June..	104.7	101.4	108.1	104.4	98.7	105.0	87.7	116.1	103.7	98.2
July-Sept..	103.4	101.8	107.7	112.5	97.9	112.8	78.7	128.5	103.5	97.7
Oct.-Dec...	99.2	102.6	103.8	116.9	96.2	114.6	73.9	146.7	110.5	98.1
1987:										
Jan.-Mar...	107.0	104.0	112.2	127.6	95.7	123.0	65.8	172.3	114.3	99.2
Apr.-June..	114.0	105.1	118.9	130.0	95.4	123.0	52.8	204.4	107.0	100.8
July-Sept..	112.2	105.6	116.3	127.6	95.8	119.9	41.8	258.4	105.9	101.9
Oct.-Dec...	121.8	106.8	127.2	137.6	96.1	129.2	29.0	350.4	99.1	102.3
1988:										
Jan.-Mar...	124.7	108.0	130.9	140.0	96.1	130.7	23.8	414.6	96.0	102.9
Apr.-June..	127.9	109.5	133.6	137.4	96.7	126.8	18.4	492.7	86.7	104.8
July-Sept..	117.7	110.8	122.8	125.7	97.2	115.1	11.1	781.8	81.9	106.2
Oct.-Dec...	124.3	112.1	130.6	132.1	97.7	121.0	7.6	1229.9	88.1	106.7
1989:										
Jan.-Mar...	121.4	113.6	126.5	126.9	99.1	115.3	4.8	4/	4/	109.0
Apr.-June..	113.0	4/	4/	121.3	99.9	109.3	4/	4/	4/	110.9

1/ Based on exchange rates expressed in U.S. dollars per unit of foreign currency.

2/ The producer price indexes are aggregate measures of inflation at the wholesale level in the United States and the above foreign countries. Quarterly producer prices in the United States fluctuated but rose, by 10.9 percent, during January 1986-June 1989. Producer prices in South Korea rose more slowly, by 3.6 percent during the same period, while prices in Brazil jumped by 13,061 percent. On the other hand, producer prices in Japan declined, falling by 6.4 percent. Producer prices in West Germany remained almost unchanged during the same period. In the period January 1986-December 1988, producer prices rose in the United Kingdom and Yugoslavia rose by 12.1 and 1129.9 percent, respectively.

3/ The real values of the foreign currencies are the nominal values adjusted for the difference between inflation rates in the individual foreign countries and the United States, as measured by producer price indexes in these countries.

4/ Data not available.

Note.--January-March 1986=100.0

Source: International Monetary Fund, International Financial Statistics, September 1989.

In real terms, the Japanese yen appreciated against the U.S. dollar during January 1986-June 1989 by approximately 15 percent, or 21 percentage points less than the appreciation in nominal terms.

PRC.-- Market values of the Chinese yuan are not readily known. The Chinese government pegs the yuan to the value of the U.S. dollar and limits convertibility of the yuan with other currencies.

Korea.--The nominal value of the South Korean won appreciated relative to the U.S. dollar by 33 percent during January 1986-June 1989. An approximately 4-percent inflation in South Korea compared with almost 11-percent inflation in the United States during this period resulted in somewhat less appreciation of the Korean won in real terms compared with nominal terms. In real terms, the South Korean won appreciated against the U.S. dollar during January 1986-June 1989 by 24 percent, or 9 percentage points less than the appreciation in nominal terms.

United Kingdom.--The nominal value of the British pound appreciated relative to the U.S. dollar by approximately 21 percent during January 1986-March 1989. An approximately 14-percent inflation rate in the United Kingdom compared with about 9-percent inflation in the United States during this period resulted in somewhat greater appreciation of the British pound in real terms compared with nominal terms. In real terms, the British pound appreciated against the U.S. dollar during January 1986-March 1989 by about 26 percent. No producer price index or real exchange rate data were available for the United Kingdom during the second quarter of 1989.

West Germany.--The nominal value of the West German mark appreciated relative to the U.S. dollar by about 21 percent during January 1986-June 1989. An approximately 0-percent inflation in West Germany compared with almost 11-percent inflation in the United States during this period resulted in less appreciation of the West German mark in real terms compared with nominal terms. In real terms, the West German mark appreciated against the U.S. dollar during January 1986-June 1989 by 9 percent, or 12 percentage points less than the appreciation in nominal terms.

Yugoslavia.--The nominal value of the Yugoslav dinar depreciated relative to the U.S. dollar during January 1986-December 1988, falling by approximately 92 percent. A 1,230-percent increase in producer prices in Yugoslavia during January 1986-December 1988, compared with a 6.7-percent increase in the United States, however, resulted in depreciation of the dinar in real terms by about 12 percent vis-a-vis the U.S. dollar during this period.



APPENDIX A  
FEDERAL REGISTER NOTICES

# INTERNATIONAL TRADE COMMISSION

(Investigations Nos. 731-TA-439 through 445 (Preliminary))

**Industrial Nitrocellulose From Brazil, Japan, People's Republic of China, Republic of Korea, United Kingdom, West Germany, and Yugoslavia**

**AGENCY:** United States International Trade Commission.

**ACTION:** Institution of preliminary antidumping investigations and scheduling of a conference to be held in connection with the investigations.

**SUMMARY:** The Commission hereby gives notice of the institution of preliminary antidumping investigations Nos. 731-TA-439 (Preliminary) (Brazil), 731-TA-440 (Preliminary) (Japan), 731-TA-441 (Preliminary) (People's Republic of China), 731-TA-442 (Preliminary) (Republic of Korea), 731-TA-443 (Preliminary) (United Kingdom), 731-TA-444 (Preliminary) (West Germany), and 731-TA-445 (Preliminary) (Yugoslavia) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) to determine whether there is a reasonable indication that an industry in the United States is materially injured, or is threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from Brazil, Japan, People's Republic of China, Republic of Korea, United Kingdom, West Germany, and Yugoslavia of industrial nitrocellulose, provided for in subheading 3912.20.00 of the Harmonized Tariff Schedule of the United States (previously reported under item 445.2500 of the Tariff Schedules of the United States), that are alleged to be sold in the United States at less than fair value. As provided in section 733(a), the Commission must complete preliminary antidumping investigations in 45 days, or in these cases by November 3, 1989.

For further information concerning the conduct of these investigations and rules of general application, consult the Commission's Rules of Practice and Procedure, part 207, subparts A and B (19 CFR part 207), and part 201, subparts A through E (19 CFR part 201).

**EFFECTIVE DATE:** September 19, 1989.

**FOR FURTHER INFORMATION CONTACT:** Tedford Briggs (202-252-1181), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired individuals are advised that information on this matter can be obtained by contacting the Commission's TDD terminal on 202-252-1810. Persons with mobility impairments

who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202-252-1000.

## SUPPLEMENTARY INFORMATION:

### Background

These investigations are being instituted in response to a petition filed on September 19, 1989, by Hercules Incorporated, Wilmington, Delaware.

### Participation in the Investigations

Persons wishing to participate in these investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in § 201.11 of the Commission's rules (19 CFR 201.11), not later than seven (7) days after publication of this notice in the *Federal Register*. Any entry of appearance filed after this date will be referred to the Chairman, who will determine whether to accept the late entry for good cause shown by the person desiring to file the entry.

### Public Service List

Pursuant to § 201.11(d) of the Commission's rules (19 CFR 201.11(d)), the Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to these investigations upon the expiration of the period for filing entries of appearance. In accordance with §§ 201.16(c) and 207.3 of the rules (19 CFR 201.16(c) and 207.3), each public document filed by a party to the investigations must be served on all other parties to the investigations (as identified by the public service list), and a certificate of service must accompany the document. The Secretary will not accept a document for filing without a certificate of service.

### Limited Disclosure of Business Proprietary Information Under a Protective Order and Business Proprietary Information Service List

Pursuant to § 207.7(a) of the Commission's rules (19 CFR 207.7(a)), the Secretary will make available business proprietary information gathered in these preliminary investigations to authorized applicants under a protective order, provided that the application be made not later than seven (7) days after the publication of this notice in the *Federal Register*. A separate service list will be maintained by the Secretary for those parties authorized to receive business proprietary information under a protective order. The Secretary will not accept any submission by parties

containing business proprietary information without a certificate of service indicating that it has been served on all the parties that are authorized to receive such information under a protective order.

#### Conference

The Director of Operations of the Commission has scheduled a conference in connection with these investigations for 9:30 a.m. on October 11, 1989, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Tedford Briggs (202-252-1181) not later than October 5, 1989, to arrange for their appearance. Parties in support of the imposition of antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference.

#### Written Submissions

Any person may submit to the Commission on or before October 16, 1989, a written brief containing information and arguments pertinent to the subject matter of the investigations, as provided in 207.15 of the Commission's rules (19 CFR 207.15). A signed original and fourteen (14) copies of each submission must be filed with the Secretary to the Commission in accordance with § 201.8 of the rules (19 CFR 201.8). All written submissions except for business proprietary data will be available for public inspection during regular business hours (8:45 a.m. to 5:15 p.m.) in the Office of the Secretary to the Commission.

Any information for which business proprietary treatment is desired must be submitted separately. The envelope and all pages of such submissions must be clearly labeled "Business Proprietary Information." Business proprietary submissions and requests for business proprietary treatment must conform with the requirements of §§ 201.6 and 207.7 of the Commission's rules (19 CFR 201.6 and 207.7). Parties which obtain disclosure of business proprietary information pursuant to § 207.7(a) of the Commission's rules (19 CFR 207.7(a)) may comment on such information in their written brief, and may also file additional written comments on such information no later than October 19, 1989. Such additional comments must be limited to comments on business proprietary information received in or after the written briefs.

#### Authority

These investigations are being conducted under authority of the Tariff Act of 1930, title VII. This notice is published pursuant to § 207.12 of the Commission's rules (19 CFR 207.12).

By order of the Commission.

Issued: September 20, 1989.

Lisbeth K. Godley,

*Acting Secretary.*

[FR Doc. 89-22610 Filed 9-21-89; 8:45 am]

BILLING CODE 7020-02-M

---

[A-351-804]

**Initiation of Antidumping Duty  
Investigation: Industrial Nitrocellulose  
From Brazil**

**AGENCY:** Import Administration,  
International Trade Administration,  
Commerce.

**ACTION:** Notice.

---

**SUMMARY:** On the basis of a petition filed in proper form with the U.S. Department of Commerce (the "Department"), we are initiating an antidumping duty investigation to determine whether imports of industrial nitrocellulose from Brazil are being, or are likely to be, sold in the United States at less than fair value. We are notifying the U.S. International Trade Commission (ITC) of this action so that it may determine whether imports of industrial nitrocellulose from Brazil materially injure, or threaten material injury to, a U.S. industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before November 3, 1989. If that determination is affirmative, we will make a preliminary determination on or before February 26, 1990.

**EFFECTIVE DATE:** October 17, 1989.

**FOR FURTHER INFORMATION CONTACT:** Louis Apple or Michael Ready, Office of Antidumping Investigations, Import Administrations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-1769 or (202) 377-2613, respectively.

**SUPPLEMENTARY INFORMATION:**

#### The Petition

On September 19, 1989, we received a petition filed in proper form by Hercules Incorporated. In compliance with the filing requirements of § 353.12 of the Department's revised regulations (54 FR 12742, March 28, 1989) (to be codified at 19 CFR 353.12), petitioner alleges that imports of industrial nitrocellulose from Brazil are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports materially injure, or threaten material injury to, the U.S. industry.

Petitioner has stated that it has standing to file the petition because it is an interested party, as defined under section 771(9)(C) of the Act, and because it has filed the petition on behalf of the U.S. industry producing the product that is subject to this investigation. If any interested party, as described under paragraphs (C), (D), (E), (F), or (G) of section 771(9) of the Act, wishes to register support for, or opposition to, this petition, please file written notification with the officials cited in the "FOR FURTHER INFORMATION CONTACT" section of this notice.

Under the Department's regulations, any producer or reseller seeking exclusion from a potential antidumping duty order must submit its request for exclusion within 30 days of the date of the publication of this notice. The procedures and requirements regarding the filing of such requests are contained in § 353.14 of the Department's revised regulations.

#### United States Price and Foreign Market Value

Petitioner's estimate of United States Price (USP) for industrial nitrocellulose is based on data derived from U.S. Department of Commerce import statistics for industrial nitrocellulose imports from Brazil. Petitioner deducted movement charges from the unit price and added a 17 percent value added tax applicable to products sold in Brazil.

Petitioner's estimate of Foreign Market Value (FMV) for industrial nitrocellulose is based on foreign manufacturer's price quotes to Brazilian customers, including the 17 percent

VAT, as determined by petitioner's market research. Petitioner deducted movement charges from the FMV and made a circumstance of sale adjustment for differences in credit.

Comparison of the FMV and USP calculated by petitioner results in an alleged dumping margin of 83 percent.

#### Initiation of Investigation

Under section 732(c) of the Act, the Department must determine, within 20 days after a petition is filed, whether the petition sets forth the allegations necessary for the initiation of an antidumping duty investigation, and whether the petition contains information reasonably available to the petitioner supporting the allegations.

We examined the petition on industrial nitrocellulose from Brazil and found that the petition meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether imports of industrial nitrocellulose from Brazil are being, or are likely to be, sold in the United States at less than fair value. If our investigation proceeds normally, we will make our preliminary determination by February 26, 1990.

#### Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of customs nomenclature. On January 1, 1989, the U.S. tariff schedules were fully converted to the Harmonized Tariff Schedule (HTS), as provided for in section 1201 *et seq.* of the Omnibus Trade and Competitiveness Act of 1988. All merchandise entered or withdrawn from warehouse for consumption on or after this date will be classified solely according to the appropriate HTS subheadings. The HTS subheadings are provided for convenience and U.S. Customs Service purposes. The written description remains dispositive.

Industrial nitrocellulose is a dry, white, amorphous synthetic chemical with a nitrogen content between 10.8 and 12.2 percent which is produced from the reaction of cellulose with nitric acid. Industrial nitrocellulose is used as a film-former in coatings, lacquers, furniture finishes, and printing inks. Industrial nitrocellulose is currently provided for under HTS subheading 3912.20.00. Prior to January 1, 1989, industrial nitrocellulose was classified under item 445.25 of the *Tariff Schedules of the United States Annotated* (TSUSA). The scope of this investigation does not include explosive grade nitrocellulose, which has a

nitrogen content of greater than 12.2 percent.

#### Notification of ITC

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonproprietary information. We will allow the ITC access to all privileged and business proprietary information in the Department's files, provided the ITC confirms in writing that it will not disclose such information either publicly or under administrative protective order without the written consent of the Assistant Secretary for Import Administration.

#### Preliminary Determination by ITC

The ITC will determine by November 3, 1989, whether there is a reasonable indication that imports of industrial nitrocellulose from Brazil materially injure, or threaten material injury to, a U.S. industry. If its determination is negative, the investigation will be terminated; otherwise, the investigation will proceed according to the statutory and regulatory time limits.

This notice is published pursuant to section 732(c)(2) of the Act.

Dated: October 10, 1989.

Lisa B. Barry,

Acting Assistant Secretary for Import Administration.

[FR Doc. 89-24498 Filed 10-16-89; 8:45 am]

BILLING CODE 3510-06-M

[A-570-802]

#### Initiation of Antidumping Duty Investigation: Industrial Nitrocellulose From the People's Republic of China

**AGENCY:** Import Administration, International Trade Administration, Commerce.

**ACTION:** Notice.

**SUMMARY:** On the basis of a petition filed in proper form with the U.S. Department of Commerce (the "Department"), we are initiating an antidumping duty investigation to determine whether imports of industrial nitrocellulose from the People's Republic of China (PRC) are being, or are likely to be, sold in the United States at less than fair value. We are notifying the U.S. International Trade Commission (ITC) of this action so that it may determine whether imports of industrial nitrocellulose from the PRC materially injure, or threaten material injury to, a

U.S. industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before November 3, 1989. If that determination is affirmative, we will make a preliminary determination on or before February 28, 1990.

**EFFECTIVE DATE:** October 17, 1989.

**FOR FURTHER INFORMATION CONTACT:**

Louis Apple or Michael Ready, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-1769 or (202) 377-2613, respectively.

**SUPPLEMENTARY INFORMATION:**

**The Petition**

On September 19, 1989, we received a petition filed in proper form by Hercules Incorporated. In compliance with the filing requirements of § 353.12 of the Department's revised regulations (54 FR 12742, March 28, 1989) (to be codified at 19 CFR 353.12), petitioner alleges that import of industrial nitrocellulose from the PRC are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports materially injure, or threaten material injury to, the U.S. industry.

Petitioner has stated that it has standing to file the petition because it is an interested party, as defined under section 771(9)(C) of the Act, and because it has filed the petition on behalf of the U.S. industry producing the product that is subject to this investigation. If any interested party, as described under paragraphs (C), (D), (E), (F), or (G) of section 771(9) of the Act, wishes to register support for, or opposition to, this petition, please file written notification with the officials cited in the "FOR FURTHER INFORMATION CONTACT" section of this notice.

Under the Department's regulations, any producer or reseller seeking exclusion from a potential antidumping duty order must submit its request for exclusion within 30 days of the date of the publication of this notice. The procedures and requirements regarding the filing of such requests are contained in section 353.14 of the Department's revised regulations.

**United States Price and Foreign Market Value**

Petitioner's estimate of United States Price (USP) for industrial nitrocellulose is based on data derived from U.S. Department of Commerce import statistics for industrial nitrocellulose

imports from the PRC. Petitioner deducted movement charges from the unit price.

Petitioner alleges that the PRC is a nonmarket economy country within the meaning of section 773(c) of the Act. Accordingly, petitioner based foreign market value on constructed value calculated from factors of production valued in a market economy country (i.e., Thailand) at a comparable level of economic activity to the PRC. In its calculation, petitioner added amounts for factory overhead, general expenses and packing based on petitioner's costs. Petitioner also added the statutory minimum eight percent of the sum of its own general expenses and manufacturing cost for profit.

Comparison of the FMV and USP calculated by petitioner results in an alleged dumping margin of 78 percent.

**Initiation of Investigation**

Under section 732(c) of the Act, the Department must determine, within 20 days after a petition is filed, whether the petition sets forth the allegations necessary for the initiation of an antidumping duty investigation, and whether the petition contains information reasonably available to the petitioner supporting the allegations.

We examined the petition on industrial nitrocellulose from the PRC and found that the petition meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether imports of industrial nitrocellulose from the PRC are being, or are likely to be, sold in the United States at less than fair value. If our investigation proceeds normally, we will make our preliminary determination by February 28, 1990.

**Scope of Investigation**

The United States has developed a system of tariff classification based on the international harmonized system of customs nomenclature. On January 1, 1989, the U.S. tariff schedules were fully converted to the Harmonized Tariff Schedule (HTS), as provided for in section 1201 *et seq.* of the Omnibus Trade and Competitiveness Act of 1988. All merchandise entered or withdrawn from warehouse for consumption on or after this date will be classified solely according to the appropriate HTS subheadings. The HTS subheadings are provided for convenience and U.S. Customs Service purposes. The written description remains dispositive.

Industrial nitrocellulose is a dry, white, amorphous synthetic chemical with a nitrogen content between 10.8

and 12.2 percent which is produced from the reaction of cellulose with nitric acid. Industrial nitrocellulose is used as a film-former in coatings, lacquers, furniture finishes, and printing inks. Industrial nitrocellulose is currently provided for under HTS subheading 3912.20.00. Prior to January 1, 1989, industrial nitrocellulose was classifiable under item 445.25 of the *Tariff Schedules of the United States Annotated* (TSUSA). The scope of this investigation does not include explosive grade nitrocellulose, which has a nitrogen content of greater than 12.2 percent.

**Notification of ITC**

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonproprietary information. We will allow the ITC access to all privileged and business proprietary information in the Department's files, provided the ITC confirms in writing that it will not disclose such information either publicly or under administrative protective order without the written consent of the Assistant Secretary for Import Administration.

**Preliminary Determination by ITC**

The ITC will determine by November 3, 1989, whether there is a reasonable indication that imports of industrial nitrocellulose from the PRC materially injure, or threaten material injury to, a U.S. industry. If its determination is negative, the investigation will be terminated; otherwise, the investigation will proceed according to the statutory and regulatory time limits.

This notice is published pursuant to section 732(c)(2) of the Act.

Dated: October 10, 1989.

Lisa B. Barry,

Acting Assistant Secretary for Import Administration.

[FR Doc. 89-24499 Filed 10-16-89; 8:45 am]

BILLING CODE 3510-DS-M

[A-588-812]

**Initiative of Antidumping Duty Investigation: Industrial Nitrocellulose From Japan**

**AGENCY:** Import Administration, International Trade Administration, Commerce.

**ACTION:** Notice.

**SUMMARY:** On the basis of a petition filed in proper form with the U.S. Department of Commerce (the "Department"), we are initiating an antidumping duty investigation to determine whether imports of industrial nitrocellulose from Japan are being, or are likely to be, sold in the United States at less than fair value. We are notifying the U.S. International Trade Commission (ITC) of this action so that it may determine whether imports of industrial nitrocellulose from Japan materially injure, or threaten material injury to, a U.S. industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before November 3, 1989. If that determination is affirmative, we will make a preliminary determination on or before February 26, 1990.

**EFFECTIVE DATE:** October 17, 1989.

**FOR FURTHER INFORMATION CONTACT:** Louis Apple or Michael Ready, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-1769 or (202) 377-2613, respectively.

**SUPPLEMENTARY INFORMATION:**

**The Petition**

On September 19, 1989, we received a petition filed in proper form by Hercules Incorporated. In compliance with the filing requirements of section 353.12 of the Department's revised regulations (54 FR 12742, March 28, 1989) (to be codified at 19 CFR 353.12), petitioner alleges that imports of industrial nitrocellulose from Japan are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports materially injure, or threaten material injury to, the U.S. industry.

Petitioner has stated that it has standing to file the petition because it is an interested party, as defined under section 771(9)(C) of the Act, and because it has filed the petition on behalf of the U.S. industry producing the product that is subject to this investigation. If any interested party, as described under paragraphs (C), (D), (E), (F), or (G) of section 771(9) of the Act, wishes to register support for, or opposition to, this petition, please file written notification with the officials cited in the "FOR FURTHER INFORMATION CONTACT" section of this notice.

Under the Department's regulations, any producer or reseller seeking exclusion from a potential antidumping duty order must submit its request for

exclusion within 30 days of the date of the publication of this notice. The procedures and requirements regarding the filing of such requests are contained in § 353.14 of the Department's revised regulations.

**United States Price and Foreign Market Value**

Petitioner's estimate of United States Price (USP) for industrial nitrocellulose is based on data derived from U.S. Department of Commerce import statistics for industrial nitrocellulose imports from Japan. Petitioner deducted movement charges from the unit price.

Petitioner's estimate of Foreign Market Value (FMV) for industrial nitrocellulose is based on foreign manufacturer's price quotes to Japanese customers, as determined by petitioner's market research. Petitioner deducted movement charges from the FMV and made circumstance of sale adjustments for differences in credit and packing.

Comparison of the FMV and USP calculated by petitioner results in an alleged dumping margin of 66 percent.

**Initiation of Investigation**

Under section 732(c) of the Act, the Department must determine, within 20 days after a petition is filed, whether the petition sets forth the allegations necessary for the initiation of an antidumping duty investigation, and whether the petition contains information reasonably available to the petitioner supporting the allegations.

We examined the petition on industrial nitrocellulose from Japan and found that the petition meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether imports of industrial nitrocellulose from Japan are being, or are likely to be, sold in the United States at less than fair value. If our investigation proceeds normally, we will make our preliminary determination by February 26, 1990.

**Scope of Investigation**

The United States has developed a system of tariff classification based on the international harmonized system of customs nomenclature. On January 1, 1989, the U.S. tariff schedules were fully converted to the Harmonized Tariff Schedule (HTS), as provided for in section 1201 *et seq.* of the Omnibus Trade and Competitiveness Act of 1988. All merchandise entered or withdrawn from warehouse for consumption on or after this date will be classified solely

according to the appropriate HTS subheadings. The HTS subheadings are provided for convenience and U.S. Customs Service purposes. The written description remains dispositive.

Industrial nitrocellulose is a dry, white, amorphous synthetic chemical with a nitrogen content between 10.8 and 12.2 percent which is produced from the reaction of cellulose with nitric acid. Industrial nitrocellulose is used as a film-former in coatings, lacquers, furniture finishes, and printing inks. Industrial nitrocellulose is currently provided for under HTS subheading 3912.20.00. Prior to January 1, 1989, industrial nitrocellulose was classifiable under item 445.25 of the *Tariff Schedules of the United States Annotated* (TSUSA). The scope of this investigation does not include explosive grade nitrocellulose, which has a nitrogen content of greater than 12.2 percent.

**Notification of ITC**

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonproprietary information. We will allow the ITC access to all privileged and business proprietary information in the Department's files, provided the ITC confirms in writing that it will not disclose such information either publicly or under administrative protective order without the written consent of the Assistant Secretary for Import Administration.

**Preliminary Determination by ITC**

The ITC will determine by November 3, 1989, whether there is a reasonable indication that imports of industrial nitrocellulose from Japan materially injure, or threaten material injury to, a U.S. industry. If its determination is negative, the investigation will be terminated; otherwise, the investigation will proceed according to the statutory and regulatory time limits.

This notice is published pursuant to section 732(c)(2) of the Act.

Dated: October 10, 1989.

Lisa B. Barry,  
Acting Assistant Secretary for Import Administration.

[FR Doc. 89-24500 Filed 10-16-89; 8:45 am]

BILLING CODE 3510-DS-M

[A-580-805]

**Initiation of Antidumping Duty Investigation: Industrial Nitrocellulose From the Republic of Korea****AGENCY:** Import Administration, International Trade Administration, Commerce.**ACTION:** Notice.

**SUMMARY:** On the basis of a petition filed in proper form with the U.S. Department of Commerce (the "Department"), we are initiating an antidumping duty investigation to determine whether imports of industrial nitrocellulose from the Republic of Korea (Korea) are being, or are likely to be, sold in the United States at less than fair value. We are notifying the U.S. International Trade Commission (ITC) of this action so that it may determine whether imports of industrial nitrocellulose from Korea materially injure, or threaten material injury to, a U.S. industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before November 3, 1989. If that determination is affirmative, we will make a preliminary determination on or before February 26, 1990.

**EFFECTIVE DATE:** October 17, 1989.

**FOR FURTHER INFORMATION CONTACT:** Louis Apple or Michael Ready, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-1769 or (202) 377-2613, respectively.

**SUPPLEMENTARY INFORMATION:****The Petition**

On September 19, 1989, we received a petition filed in proper form by Hercules Incorporated. In compliance with the filing requirements of section 353.12 of the Department's revised regulations (54 FR 12742, March 28, 1989) (to be codified at 19 CFR 353.12), petitioner alleges that imports of industrial nitrocellulose from Korea are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports materially injure, or threaten material injury to, the U.S. industry.

Petitioner has stated that it has standing to file the petition because it is an interested party, as defined under section 771(9)(C) of the Act, and because it has filed the petition on behalf of the U.S. industry producing the product that is subject to this investigation. If any interested party, as described under

paragraphs (C), (D), (E), (F), or (G) of section 771(9) of the Act, wishes to register support for, or opposition to, this petition, please file written notification with the officials cited in the "FOR FURTHER INFORMATION CONTACT" section of this notice.

Under the Department's regulations, any producer or reseller seeking exclusion from a potential antidumping duty order must submit its request for exclusion within 30 days of the date of the publication of this notice. The procedures and requirements regarding the filing of such requests are contained in § 353.14 of the Department's revised regulations.

**United States Price and Foreign Market Value**

Petitioner's estimate of United States Price (USP) for industrial nitrocellulose is based on data derived from U.S. Department of Commerce import statistics for industrial nitrocellulose imports from Korea. Petitioner deducted movement charges from the unit price.

Petitioner's Foreign Market Value (FMV) for industrial nitrocellulose is based on foreign manufacturers' price quotes to Korean customers, as determined by petitioner's market research. Petitioner deducted movement charges from the FMV and made circumstance of sale adjustments for differences in credit. Comparison of the FMV and USP calculated by petitioner results in an alleged dumping margin of 66 percent.

**Initiation of Investigation**

Under section 732(c) of the Act, the Department must determine, within 20 days after a petition is filed, whether the petition sets forth the allegations necessary for the initiation of an antidumping duty investigation, and whether the petition contains information reasonably available to the petitioner supporting the allegations.

We examined the petition on industrial nitrocellulose from Korea and found that the petition meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether imports of industrial nitrocellulose from Korea are being, or are likely to be, sold in the United States at less than fair value. If our investigation proceeds normally, we will make our preliminary determination by February 26, 1990.

**Scope of Investigation**

The United States has developed a system of tariff classification based on the international harmonized system of

customs nomenclature. On January 1, 1989, the U.S. tariff schedules were fully converted to the Harmonized Tariff Schedule (HTS), as provided for in section 1201 *et seq.* of the Omnibus Trade and Competitiveness Act of 1988. All merchandise entered or withdrawn from warehouse for consumption on or after this date will be classified solely according to the appropriate HTS subheadings. The HTS subheadings are provided for convenience and U.S. Customs Service purposes. The written description remains dispositive.

Industrial nitrocellulose is a dry, white, amorphous synthetic chemical with a nitrogen content between 10.8 and 12.2 percent which is produced from the reaction of cellulose with nitric acid. Industrial nitrocellulose is used as a film former in coatings, lacquers, furniture finishes, and printing inks. Industrial nitrocellulose is currently provided for under HTS subheading 3912.20.00. Prior to January 1, 1989, industrial nitrocellulose was classifiable under item 445.25 of the *Tariff Schedules of the United States Annotated (TSUSA)*. The scope of this investigation does not include explosive grade nitrocellulose, which has a nitrogen content of greater than 12.2 percent.

**Notification of ITC**

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonproprietary information. We will allow the ITC access to all privileged and business proprietary information in the Department's files, provided the ITC confirms in writing that it will not disclose such information either publicly or under administrative protective order without the written consent of the Assistant Secretary for Import Administration.

**Preliminary Determination by ITC**

The ITC will determine by November 3, 1989, whether there is a reasonable indication that imports of industrial nitrocellulose from Korea materially injure, or threaten material injury to, a U.S. industry. If its determination is negative, the investigation will be terminated; otherwise, the investigation will proceed according to the statutory and regulatory time limits.

This notice is published pursuant to section 732(c)(2) of the Act.



Dated: October 10, 1989.

Lisa B. Barry,

Acting Assistant Secretary for Import Administration.

[FR Doc. 89-24501 Filed 10-16-89; 8:45 am]

BILLING CODE 3510-DS-M

[A-412-803]

### Initiation of Antidumping Duty Investigation; Industrial Nitrocellulose From the United Kingdom

**AGENCY:** Import Administration, International Trade Administration, Commerce.

**ACTION:** Notice.

**SUMMARY:** On the basis of a petition filed in proper form with the U.S. Department of Commerce (the "Department"), we are initiating an antidumping duty investigation to determine whether imports of industrial nitrocellulose from the United Kingdom are being, or are likely to be, sold in the United States at less than fair value. We are notifying the U.S. International Trade Commission (ITC) of this action so that it may determine whether imports of industrial nitrocellulose from the United Kingdom materially injure, or threaten material injury to, a U.S. industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before November 3, 1989. If that determination is affirmative, we will make a preliminary determination on or before February 28, 1990.

**EFFECTIVE DATE:** October 17, 1989.

**FOR FURTHER INFORMATION CONTACT:** David Goldberger or Bradford Ward, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-4136 or (202) 377-5288, respectively.

#### SUPPLEMENTARY INFORMATION:

##### The Petition

On September 19, 1989, we received a petition filed in proper form by Hercules Incorporated. In compliance with the filing requirements of section 353.12 of the Department's revised regulations (54 FR 12472, March 28, 1989) (to be codified at 19 CFR 353.12), petitioner alleges that imports of industrial nitrocellulose from the United Kingdom are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports materially injure, or threaten material injury to, the U.S. industry.

Petitioner has stated that it has standing to file the petition because it is an interested party, as defined under section 771(9)(C) of the Act, and because it has filed the petition on behalf of the U.S. industry producing the product that is subject to this investigation. If any interested party, as described under paragraph (C), (D), (E), (F), or (G) of section 771(9) of the Act, wishes to register support for, or opposition to, this petition, please file written notification with the officials cited in the "FOR FURTHER INFORMATION CONTACT" section of this notice.

Under the Department's regulations, any producer or reseller seeking exclusion from a potential antidumping duty order must submit its request for exclusion within 30 days of the date of the publication of this notice. The procedures and requirements regarding the filing of such requests are contained in § 353.14 of the Department's revised regulations.

##### United States Price and Foreign Market Value

Petitioner's estimate of United States Price (USP) for industrial nitrocellulose is based on data derived from U.S. Department of Commerce import statistics for industrial nitrocellulose imports from the United Kingdom. Petitioner deducted movement charges from the unit price.

Petitioner's estimate of Foreign Market Value (FMV) for industrial nitrocellulose is based on a foreign manufacturer's price quotes to home market customers, as determined by petitioner's market research. Petitioner deducted movement charges from the FMV and made circumstance of sale adjustments for differences in credit and packing.

Comparison of the FMV and USP calculated by petitioner results in an alleged dumping margin of 40 percent.

##### Initiation of Investigation

Under section 732(c) of the Act, the Department must determine, within 20 days after a petition is filed, whether the petition sets forth the allegations necessary for the initiation of an antidumping duty investigation, and whether the petition contains information reasonably available to the petitioner supporting the allegations.

We examined the petition on industrial nitrocellulose from the United Kingdom and found that the petition meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether imports of industrial nitrocellulose from

the United Kingdom are being, or are likely to be, sold in the United States at less than fair value. If our investigation proceeds normally, we will make our preliminary determination by February 28, 1990.

##### Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of customs nomenclature. On January 1, 1989, the U.S. tariff schedules were fully converted to the Harmonized Tariff Schedule (HTS), as provided for in section 1201 *et seq.* of the Omnibus Trade and Competitiveness Act of 1988. All merchandise entered or withdrawn from warehouse for consumption on or after this date will be classified solely according to the appropriate HTS subheadings. The HTS subheadings are provided for convenience and U.S. Customs Service purposes. The written description remains dispositive.

Industrial nitrocellulose is a dry, white, amorphous synthetic chemical with a nitrogen content between 10.8 and 12.2 percent which is produced from the reaction of cellulose with nitric acid. Industrial nitrocellulose is used as a film-former in coatings, lacquers, furniture finishes, and printing inks. Industrial nitrocellulose is currently provided for under HTS subheading 3912.20.00. Prior to January 1, 1989, industrial nitrocellulose was classifiable under item 445.25 of the *Tariff Schedules of the United States Annotated* (TSUSA). The scope of this investigation does not include explosive grade nitrocellulose, which has a nitrogen content of greater than 12.2 percent.

##### Notification of ITC

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonproprietary information. We will allow the ITC access to all privileged and business proprietary information in the Department's files, provided the ITC confirms in writing that it will not disclose such information either publicly or under administrative protective order without the written consent of the Assistant Secretary for Import Administration.

##### Preliminary Determination by ITC

The ITC will determine by November 3, 1989, whether there is a reasonable indication that imports of industrial nitrocellulose from the United Kingdom

materially injure, or threaten material injury to, a U.S. industry. If its determination is negative, the investigation will be terminated; otherwise, the investigation will proceed according to the statutory and regulatory time limits.

This notice is published pursuant to section 732(c)(2) of the Act.

Dated: October 10, 1989.

**Lisa B. Barry,**

*Acting Assistant Secretary for Import Administration.*

[FR Doc. 89-24496 Filed 10-16-89; 8:45 am]

BILLING CODE 3510-09-M

[A-428-803]

### **Initiation of Antidumping Duty Investigation; Industrial Nitrocellulose From the Federal Republic of Germany**

**AGENCY:** Import Administration, International Trade Administration, Commerce.

**ACTION:** Notice.

**SUMMARY:** On the basis of a petition filed in proper form with the U.S. Department of Commerce (the "Department"), we are initiating an antidumping duty investigation to determine whether imports of industrial nitrocellulose from the Federal Republic of Germany (FRG) are being, or are likely to be, sold in the United States at less than fair value. We are notifying the U.S. International Trade Commission (ITC) of this action so that it may determine whether imports of industrial nitrocellulose from the FRG materially injure, or threaten material injury to, a U.S. industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before November 3, 1989. If that determination is affirmative, we will make a preliminary determination on or before February 26, 1990.

**EFFECTIVE DATE:** October 17, 1989.

**FOR FURTHER INFORMATION CONTACT:** David Goldberger or Bradford Ward, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW., Washington, DC 20230; telephone (202) 377-4136 or (202) 377-5288, respectively.

#### **SUPPLEMENTARY INFORMATION:**

##### **The Petition**

On September 19, 1989, we received a petition filed in proper form by Hercules Incorporated. In compliance with the filing requirements of section 353.12 of the Department's revised regulations (54 FR 12742, March 28, 1989) (to be codified

at 19 CFR 353.12), petitioner alleges that imports of industrial nitrocellulose from the FRG are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports materially injure, or threaten material injury to, the U.S. industry.

Petitioner has stated that it has standing to file the petition because it is an interested party, as defined under section 771(9)(C) of the Act, and because it has filed the petition on behalf of the U.S. industry producing the product that is subject to this investigation. If any interested party, as described under paragraphs (C), (D), (E), (F), or (G) of section 771(9) of the Act, wishes to register support for, or opposition to, this petition, please file written notification with the officials cited in the "FOR FURTHER INFORMATION CONTACT" section of this notice.

Under the Department's regulations, any producer or reseller seeking exclusion from a potential antidumping duty order must submit it request for exclusion within 30 days of the date of the publication of this notice. The procedures and requirements regarding the filing of such requests are contained in § 353.14 of the Department's revised regulations.

##### **United States Price and Foreign Market Value**

Petitioner's estimate of United States Price (USP) for industrial nitrocellulose is based on data derived from U.S. Department of Commerce import statistics for industrial nitrocellulose imports from the FRG, and adjusted to account for price differentials between plasticised and non-plasticised nitrocellulose. Petitioner deducted movement charges from the unit price.

Petitioner's estimate of Foreign Market Value (FMV) for industrial nitrocellulose is based on a foreign manufacturer's price quotes to home market customers, as determined by petitioner's market research. Petitioner deducted movement charges from the FMV and made circumstances of sale adjustments for differences in credit and packing, as well as a difference in merchandise adjustment to account for differences in dry nitrocellulose content.

Comparison of the FMV and USP calculated by petitioner results in an alleged dumping margin of 37 percent.

##### **Initiation of Investigation**

Under section 732(c) of the Act, the Department must determine, within 20 days after a petition is filed, whether the petition sets forth the allegations necessary for the initiation of an

antidumping duty investigation, and whether the petition contains information reasonably available to the petitioner supporting the allegations.

We examined the petition on industrial nitrocellulose from the FRG and found that the petition meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether imports of industrial nitrocellulose from the FRG are being, or are likely to be, sold in the United States at less than fair value. If our investigation proceeds normally, we will make our preliminary determination by February 26, 1990.

##### **Scope of Investigation**

The United States has developed a system of tariff classification based on the international harmonized system of customs nomenclature. On January 1, 1989, the U.S. tariff schedules were fully converted to the Harmonized Tariff Schedule (HTS), as provided for in section 1201 *et seq.* of the Omnibus Trade and Competitiveness Act of 1988. All merchandise entered or withdrawn from warehouse for consumption on or after this date will be classified solely according to the appropriate HTS subheadings. The HTS subheadings are provided for convenience and U.S. Customs Service purposes. The written description remains dispositive.

Industrial nitrocellulose is a dry, white, amorphous synthetic chemical with a nitrogen content between 10.8 and 12.2 percent which is produced from the reaction of cellulose with nitric acid. Industrial nitrocellulose is used as a film-former in coatings, lacquers, furniture finishes, and printing inks. Industrial nitrocellulose is currently provided for under HTS subheading 3912.20.00. Prior to January 1, 1989, industrial nitrocellulose was classifiable under item 445.25 of the *Tariff Schedules of the United States Annotated* (TSUSA). The scope of this investigation does not include explosive grade nitrocellulose, which has a nitrogen content of greater than 12.2 percent.

##### **Notification of ITC**

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonproprietary information. We will allow the ITC access to all privileged and business proprietary information in the Department's files, provided the ITC

confirms in writing that it will not disclose such information either publicly or under administrative protective order without the written consent of the Assistant Secretary for Import Administration.

#### Preliminary Determination by ITC

The ITC will determine by November 3, 1989, whether there is a reasonable indication that imports of industrial nitrocellulose from the FRG materially injure, or threaten material injury to, a U.S. industry. If its determination is negative, the investigation will be terminated; otherwise, the investigation will proceed according to the statutory and regulatory time limits.

This notice is published pursuant to section 732(c)(2) of the Act.

Dated: October 10, 1989.

Lisa B. Barry,

Acting Assistant Secretary for Import Administration.

[FR Doc. 89-24495 Filed 10-16-89; 8:45 am]

BILLING CODE 3510-DS-M

[A-479-801]

#### Initiation of Antidumping Duty Investigation; Industrial Nitrocellulose From Yugoslavia

**AGENCY:** Import Administration, International Trade Administration, Commerce.

**ACTION:** Notice.

**SUMMARY:** On the basis of a petition filed in proper form with the U.S. Department of Commerce (the "Department"), we are initiating an antidumping duty investigation to determine whether imports of industrial nitrocellulose from Yugoslavia are being, or are likely to be, sold in the United States at less than fair value. We are notifying the U.S. International Trade Commission (ITC) of this action so that it may determine whether imports of industrial nitrocellulose from Yugoslavia materially injure, or threaten material injury to, a U.S. industry. If this investigation proceeds normally, the ITC will make its preliminary determination on or before November 3, 1989. If that determination is affirmative, we will make a preliminary determination on or before February 26, 1990.

**EFFECTIVE DATE:** October 17, 1989.

**FOR FURTHER INFORMATION CONTACT:** David Goldberger or Bradford Ward, Office of Antidumping Investigations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue NW., Washington,

DC 20230; telephone (202) 377-4136 or (202) 377-5288, respectively.

#### SUPPLEMENTARY INFORMATION:

##### The Petition

On September 19, 1989, we received a petition filed in proper form by Hercules Incorporated. In compliance with the filing requirements of § 353.12 of the Department's revised regulations (54 FR 12742, March 28, 1989) (to be codified at 19 CFR 353.12), petitioner alleges that imports of industrial nitrocellulose from Yugoslavia are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Tariff Act of 1930, as amended (the Act), and that these imports materially injure, or threaten material injury to, the U.S. industry.

Petitioner has stated that it has standing to file the petition because it is an interested party, as defined under section 771(9)(C) of the Act, and because it has filed the petition on behalf of the U.S. industry producing the product that is subject to this investigation. If any interested party, as described under paragraph (C), (D), (E), (F), or (G) of section 771(9) of the Act, wishes to register support for, or opposition to, this petition, please file written notification with the officials cited in the "FOR FURTHER INFORMATION CONTACT" section of this notice.

Under the Department's regulations, any producer or reseller seeking exclusion from a potential antidumping duty order must submit its request for exclusion within 30 days of the date of the publication of this notice. The procedures and requirements regarding the filing of such requests are contained in § 353.14 of the Department's revised regulations.

##### United States Price and Foreign Market Value

Petitioner's estimate of United States Price (USP) for industrial nitrocellulose is based on data derived from U.S. Department of Commerce import statistics for industrial nitrocellulose imports from Yugoslavia. Petitioner deducted movement charges from the unit price.

Petitioner states that it was unable to obtain pricing information on sales of industrial nitrocellulose in Yugoslavia. Consequently, petitioner's estimate of Foreign Market Value (FMV) is based on constructed value using petitioner's costs in the U.S. adjusted to reflect production costs in Yugoslavia. In its calculation, petitioner used amounts for factory overhead, general expenses and packing based on its own costs. Petitioner also added the statutory minimum 8 percent of the sum of general

expenses and manufacturing cost for profit.

Comparison of the FMV and USP calculated by petitioner results in an alleged dumping margin of 65 percent.

##### Initiation of Investigation

Under section 732(c) of the Act, the Department must determine, within 20 days after a petition is filed, whether the petition sets forth the allegations necessary for the initiation of an antidumping duty investigation, and whether the petition contains information reasonably available to the petitioner supporting the allegations.

We examined the petition on industrial nitrocellulose from Yugoslavia and found that the petition meets the requirements of section 732(b) of the Act. Therefore, in accordance with section 732 of the Act, we are initiating an antidumping duty investigation to determine whether imports of industrial nitrocellulose from Yugoslavia are being, or are likely to be, sold in the United States at less than fair value. If our investigation proceeds normally, we will make our preliminary determination by February 26, 1990.

##### Scope of Investigation

The United States has developed a system of tariff classification based on the international harmonized system of customs nomenclature. On January 1, 1989, the U.S. tariff schedules were fully converted to the Harmonized Tariff Schedule (HTS), as provided for in section 1201 *et seq.* of the Omnibus Trade and Competitiveness Act of 1988. All merchandise entered or withdrawn from warehouse for consumption on or after this date will be classified solely according to the appropriate HTS subheadings. The HTS subheadings are provided for convenience and U.S. Customs Service purposes. The written description remains dispositive.

Industrial nitrocellulose is a dry, white, amorphous synthetic chemical with a nitrogen content between 10.8 and 12.2 percent which is produced from the reaction of cellulose with nitric acid. Industrial nitrocellulose is used as a film-former in coatings, lacquers, furniture finishes, and printing inks. Industrial nitrocellulose is currently provided for under HTS subheading 3912.20.00. Prior to January 1, 1989, industrial nitrocellulose was classifiable under item 445.25 of the *Tariff Schedules of the United States Annotated* (TSUSA). The scope of this investigation does not include explosive grade nitrocellulose, which has a nitrogen content of greater than 12.2 percent.

**Notification of ITC**

Section 732(d) of the Act requires us to notify the ITC of this action and to provide it with the information we used to arrive at this determination. We will notify the ITC and make available to it all nonprivileged and nonproprietary information. We will allow the ITC access to all privileged and business proprietary information in the Department's files, provided the ITC confirms in writing that it will not disclose such information either publicly or under administrative protective order without the written consent of the Assistant Secretary for Import Administration.

**Preliminary Determination by ITC**

The ITC will determine by November 3, 1989, whether there is a reasonable indication that imports of industrial nitrocellulose from Yugoslavia materially injure, or threaten material injury to, a U.S. industry. If its determination is negative, the investigation will be terminated; otherwise, the investigation will proceed according to the statutory and regulatory time limits.

This notice is published pursuant to section 732(c)(2) of the Act.

Dated: October 10, 1989.

**Lisa B. Barry,**  
*Acting Assistant Secretary for Import Administration.*

[FR Doc. 89-24497 Filed 10-16-89; 8:45 am]

BILLING CODE 3510-DS-M

---

B-1

APPENDIX B

LIST OF WITNESSES APPEARING AT THE COMMISSION CONFERENCE

CALENDAR OF PUBLIC CONFERENCE

Investigations Nos. 731-TA-439 through 445 (Preliminary)

INDUSTRIAL NITROCELLULOSE FROM BRAZIL, JAPAN, PEOPLE'S REPUBLIC OF CHINA,  
REPUBLIC OF KOREA, UNITED KINGDOM, WEST GERMANY, AND YUGOSLAVIA

Those listed below appeared at the United States International Trade Commission conference held in connection with the subject investigations on October 11, 1989, in the Hearing Room of the USITC Building, 500 E Street SW., Washington, DC.

In support of the imposition of antidumping duties

Kelley Drye & Warren--Counsel  
Washington, DC  
on behalf of--

Hercules Incorporated, Wilmington, DE

W. Wells Hood, Jr., Vice President, Business  
Development and Marketing  
J. Stephen Bryce, Product Manager - Nitrocellulose  
Jeffrey S. Wolff, Product Supervisor - Nitrocellulose  
Suzanne E. Eder, Senior Financial Analyst

Lilly Industrial Coatings Co., Inc.  
Indianapolis, IN

J. Robert Pickering, President

ICF Consulting Associates, Inc.

Daniel W. Klett, Project Manager

Michael P. Kelly, Counsel, Hercules Incorporated

Edward M. Lebow)  
David R. Busam ) --OF COUNSEL

CALENDAR OF PUBLIC CONFERENCE--Continued

In opposition to the imposition of antidumping duties

Users and consumers of nitrocellulose--

Guardsman Products, Inc.  
Grand Rapids, MI

Richard B. Chalker, Corporate Director of Purchases

Reliance Universal Inc.  
Louisville, KY

T.F. McHenry, Manager, Corporate Purchases  
Robert J. Torba, Vice President, Coating Div.

James B. Day & Co.  
Carpentersville, IL

Floyd S. Gustafson, Purchasing Agent

Tennessee Technical Coatings Corp.  
Lewisburg, TN

John Rawe, Executive Vice President

Howrey & Simon--Counsel  
Washington, DC  
on behalf of--

ICI Americas Inc., Industrial Colorants  
Wilmington, DE

David M. Wilkinson, Business Manager  
Judith M. Gonshor, Product Coordinator

ICI Colors and Fine Chemicals  
Blackley, United Kingdom

John Walford, Product Manager - Nitrocellulose

United Color Technology  
Newtown, PA

Thomas E. Nowakowski, President

Michael A. Hertzberg)  
Paul M. Orbuch )--OF COUNSEL

CALENDAR OF PUBLIC CONFERENCE--Continued

In opposition to the imposition of antidumping duties--Continued

Howrey & Simon--Counsel

Washington, DC

on behalf of--

Wolff Walsrode AG

Walsrode, West Germany

Wolff Walsrode Cellulosics

Burr Ridge, IL

John A. Schoch, Jr., General Manager, Chemicals

Paul Plaia, Jr.--OF COUNSEL

Skadden, Arps, Slate, Meagher & Flom--Counsel

Washington, DC

on behalf of--

Asahi Chemical Industry Co. Ltd.

Tokyo, Japan

William Perry--OF COUNSEL

Raplan, Russin & Vecchi--Counsel

Washington, DC

on behalf of--

Varteks-Vartimpeks

Yugoslavia

Milan Blagojevic

Lucani, Yugoslavia

Kathleen F. Patterson--OF COUNSEL



CALENDAR OF PUBLIC CONFERENCE--Continued

In opposition to the imposition of antidumping duties--Continued

Dorsey & Whitney--Counsel  
Washington, DC  
on behalf of--

Companhia Nitro Quimica Brasileira  
Sao Paulo, Brazil

Fernando Dourado Fihlo, Export Manager  
Luiz Henrique Delfino, Head, Export Sales Dept.

Kaymont Chemicals Corporation  
Richmond, VA

William C. Hungerford, President

James Taylor, Jr.)  
Philippe M. Bruno) --OF COUNSEL

Graham & James--Counsel  
Washington, DC  
on behalf of--

China North Industries Corporation  
Beijing, People's Republic of China

Beta Chemicals  
Serritos, CA

Guang-chang Guo, President  
Geng-jiu Ding, Vice President

Lawrence R. Walders)  
Jeffrey L. Snyder ) --OF COUNSEL



APPENDIX C

IMPACT OF IMPORTS ON THE U.S. PRODUCER'S GROWTH,  
INVESTMENT, ABILITY TO RAISE CAPITAL, AND EXISTING  
DEVELOPMENT AND PRODUCTION EFFORTS

The Commission requested U.S. producers to describe and explain the actual and potential negative effects of imports of industrial nitrocellulose from the countries subject to these investigations, by product and by country, on the producers' existing development and production efforts, growth, investment, and ability to raise capital. The response by Hercules is shown below.

\* \* \* \* \*

APPENDIX D

HERCULES SALES OF Z-GRADE INDUSTRIAL NITROCELLULOSE

Table D-1

Industrial nitrocellulose: Total sales volume and unit prices of regular RS-grade and Z-grade product 1 sold to end users, as reported by the U.S. producer, and the share of Z-grade sales, by quarters, January 1986-June 1989

Period	Total sales volume		Price		Z-grade share of total sales
	Regular	Z-grade	Regular	Z-grade	
	grade	grade	grade	grade	
	-----Pounds-----		-----Per pound-----		Percent
1986:					
Jan.-Mar.....	***	***	\$***	\$***	***
Apr.-June....	***	***	***	***	***
July-Sept....	***	***	***	***	***
Oct.-Dec.....	***	***	***	***	***
1987:					
Jan.-Mar.....	***	***	***	***	***
Apr.-June....	***	***	***	***	***
July-Sept....	***	***	***	***	***
Oct.-Dec.....	***	***	***	***	***
1988:					
Jan.-Mar.....	***	***	***	***	***
Apr.-June....	***	***	***	***	***
July-Sept....	***	***	***	***	***
Oct.-Dec.....	***	***	***	***	***
1989:					
Jan.-Mar.....	***	***	***	***	***
Apr.-June....	***	***	***	***	***

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-2

Industrial nitrocellulose: Total sales volume and unit prices of regular RS-grade and Z-grade product 2 sold to end users, as reported by the U.S. producer, and the share of Z-grade sales, by quarters, January 1989 June 1989

Period	Total sales volume		Price		Z-grade share of total sales
	Regular	Z-grade	Regular	Z-grade	
	grade	grade	grade	grade	
	-----Pounds-----		-----Per pound-----		Percent
1986:					
Jan.-Mar.....	***	***	\$***	\$***	***
Apr.-June....	***	***	***	***	***
July-Sept....	***	***	***	***	***
Oct.-Dec.....	***	***	***	***	***
1987:					
Jan.-Mar.....	***	***	***	***	***
Apr.-June....	***	***	***	***	***
July-Sept....	***	***	***	***	***
Oct.-Dec.....	***	***	***	***	***
1988:					
Jan.-Mar.....	***	***	***	***	***
Apr.-June....	***	***	***	***	***
July-Sept....	***	***	***	***	***
Oct.-Dec.....	***	***	***	***	***
1989:					
Jan.-Mar.....	***	***	***	***	***
Apr.-June....	***	***	***	***	***

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table D-3

Industrial nitrocellulose: Total sales volume and unit prices of regular RS-grade and Z-grade product 3 sold to end-users, as reported by the U.S. producer, and the share of Z-grade sales, by quarters, January 1986-June 1989

Period	<u>Total sales volume</u>		<u>Price</u>		Z-grade share of total sales
	Regular grade	Z-grade	Regular grade	Z-grade	
	-----Pounds-----		-----Per pound-----		Percent
1986:					
Jan.-Mar.....	***	***	\$***	\$***	***
Apr.-June....	***	***	***	***	***
July-Sept....	***	***	***	***	***
Oct.-Dec.....	***	***	***	***	***
1987:					
Jan.-Mar.....	***	***	***	***	***
Apr.-June....	***	***	***	***	***
July-Sept....	***	***	***	***	***
Oct.-Dec.....	***	***	***	***	***
1988:					
Jan.-Mar.....	***	***	***	***	***
Apr.-June....	***	***	***	***	***
July-Sept....	***	***	***	***	***
Oct.-Dec.....	***	***	***	***	***
1989:					
Jan.-Mar.....	***	***	***	***	***
Apr.-June....	***	***	***	***	***

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.



Table D-4

Industrial nitrocellulose: Total sales volume and unit prices of regular RS-grade and Z-grade product 4 sold to end-users, as reported by the U.S. producer, and the share of Z-grade sales, by quarters, January 1986-June 1989

Period	<u>Total sales volume</u>		<u>Price</u>		<u>Z-grade share of total sales</u>
	<u>Regular</u>	<u>Z-grade</u>	<u>Regular</u>	<u>Z-grade</u>	
	<u>grade</u>	<u>grade</u>	<u>grade</u>	<u>grade</u>	
	<u>-----Pounds-----</u>		<u>-----Per pound----</u>		<u>Percent</u>
1986:					
Jan.-Mar.....	***	***	\$***	\$***	***
Apr.-June....	***	***	***	***	***
July-Sept....	***	***	***	***	***
Oct.-Dec.....	***	***	***	***	***
1987:					
Jan.-Mar.....	***	***	***	***	***
Apr.-June....	***	***	***	***	***
July-Sept....	***	***	***	***	***
Oct.-Dec.....	***	***	***	***	***
1988:					
Jan.-Mar.....	***	***	***	***	***
Apr.-June....	***	***	***	***	***
July-Sept....	***	***	***	***	***
Oct.-Dec.....	***	***	***	***	***
1989:					
Jan.-Mar.....	***	***	***	***	***
Apr.-June....	***	***	***	***	***

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

